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Thatcher Summons Barbie Trial Opens

By Howell Raines New York Times Service LONDON — Prime Minister Margaret Thatcher called a general election Monday for June 11, thus trying her political fortunes to an improving economy and the Conservative Party's rising position in public opinion polls.

In interviews after her announcement Monday, Mrs. Thatcher even raised the possibility of a fourth term. "I hope to go on and on because I believe passionately in our policies and I believe they are right for Britain," she said.

Conservative strategists plan to emphasize the historical shadings of this contest as they lay out two main campaign themes.

First, they will argue that Mrs. Thatcher needs a third term to institutionalize her free-market economic policies and prevent a return to the state ownership and economic control instituted by the Labor government after World War II.

Second, the Conservatives will argue that the prime minister will use a third term to extend the "Thatcher revolution" from economics into such areas as education, health care and housing.

For example, the Tory manifesto is said to include a plan to transfer rental housing from state to private ownership. It will also contain education proposals that would apply market theory to school financing by linking a school's funding to its ability to attract students.

"I think it really is a manifesto to set a course to go up to the next century," Mrs. Thatcher said. "We ought to set Britain's course for the next century, as well as this."

The opposition leaders said they were eager to join the campaign debate on the terms outlined by the Conservatives. They see this as an opportunity to emphasize the issues of compassion and fairness and Mrs. Thatcher's image as an unyielding ideologue.

"Will we have a modern welfare state with Labor or end up with a poor law state under the Tories?" said Neil Kinnock, the Labor leader, sounding a central opposition theme: that Thatcherism has divided Britain.

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Barbie Trial Opens

Ex-Nazi Officer Is Taken Before Court in Lyon

By Julian Nundy International Herald Tribune LYON — Klaus Barbie went on trial here Monday for crimes against humanity more than 40 years after he was an SS officer in Nazi-occupied France.

Barbie, 73, whose trial has been in preparation since he was expelled from Bolivia in 1965, was led handcuffed into court.

A police guard removed his manacles, and the defendant, known as the "Butcher of Lyon," took his seat behind a glass screen for a 20-minute photo session.

Then, speaking in a strong voice, Barbie told the presiding judge, André Cerini, that his name was Altmann, the alias under which he lived in Bolivia for 33 years.

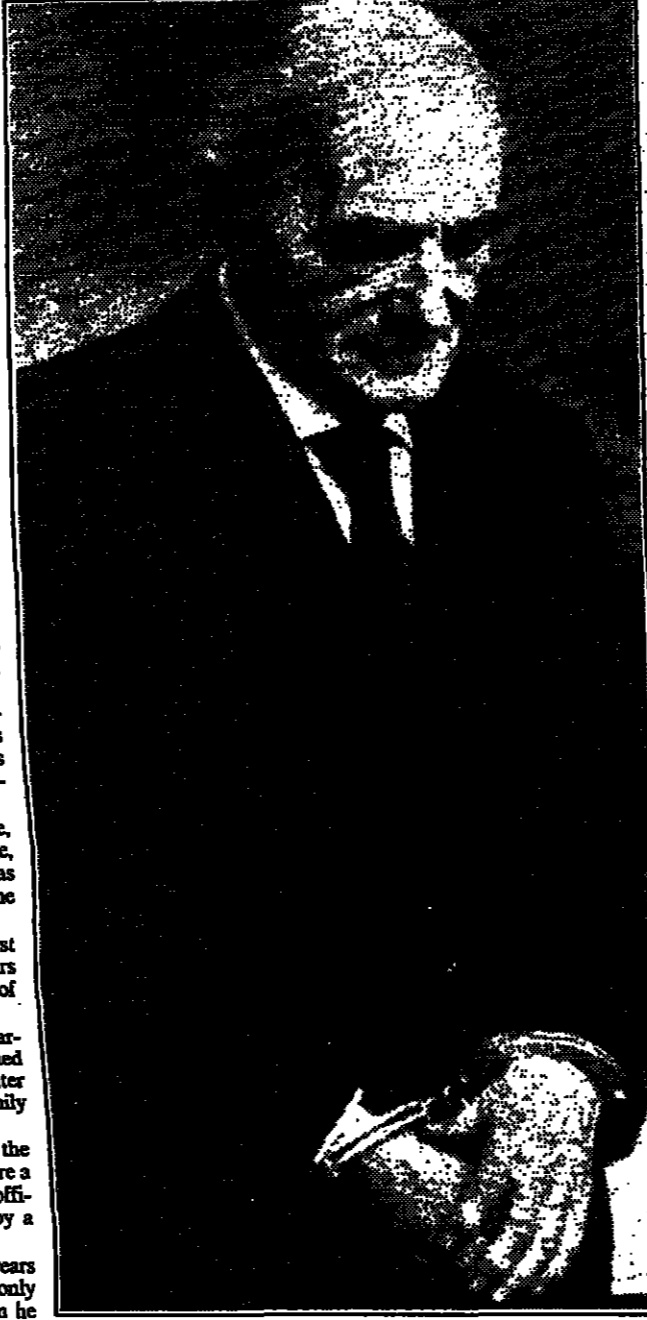
The statement led to the first legal wrangle in a trial that appears destined to include a multitude of procedural disputes.

Barbie, looking thin but apparently healthy, implicitly confirmed his true identity a few seconds later when he gave his father's family name as Barbie.

For his first appearance in the Lyon superior court, Barbie wore a black suit and tie that court officials said had been donated by a local charity.

Apart from the uniform he wears in Saint-Joseph Prison, his only clothes are those he wore when he left Bolivia and a Bolivian Army uniform.

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Klaus Barbie arriving Monday in the Lyon courthouse.

McFarlane Says Reagan Condoned Outside Aid

Intervention On Weapons Cargo Cited

WASHINGTON — President Ronald Reagan was kept informed of efforts to arrange financial aid to Nicaraguan rebels after official U.S. assistance was outlawed, according to testimony on Monday by Robert C. McFarlane, the president's former national security adviser.

Mr. McFarlane also said that President Reagan asked the president of a Central American country, reportedly Honduras, to release a shipment of arms that was seized before it could reach the Contras, as the rebels in Nicaragua are called.

In testimony opening the second week of hearings into the Iran-contra affair, Mr. McFarlane spent several hours outlining what he knew about efforts to help the Contras after aid was banned by Congress, and then turned his attention to the Iran arms deal.

Mr. McFarlane said he was asked to "play God" and choose one American hostage to be released after the first U.S.-approved shipment by Israel of arms to Iran.

He described in detail a meeting in early August 1985 involving President Reagan in which an Israeli plan for selling arms to Iran was proposed.

Mr. McFarlane said that within days of the time the Israelis first proposed the idea, Mr. Reagan made a decision to go ahead with attempts to approach moderate Iranians as suggested by David Kimche, director of the Israeli foreign ministry. That assertion contradicted testimony last year by the former White House chief of staff, Donald T. Regan.

Mr. Regan has said the president only approved the Israeli shipment after the fact.

The president's "decision was to approve Israel being authorized to sell modest levels of TOW missiles or other military spares and items to Iran and to come to the United States and be allowed to purchase replacements," Mr. McFarlane said.

He said he later learned that Israel had later learned that Iran had approved the Israeli shipment after the fact.

Mr. O'Connell said that those employees would be welcome pending formal termination of their current contracts.

Analysts said that his carefully worded comments reflected Cantor's reluctance to appear as if it had encouraged the defections.

Lawsuits have been filed against firms in the United States for "raiding" senior staff from the trading floors of major brokerages.

See CONTRA, Page 4



Robert C. McFarlane taking oath Monday before testifying.

Meese to Be Investigated By Independent Counsel

By George Lardner Jr. Washington Post Service

WASHINGTON — Attorney General Edwin Meese 54 asked Monday that an independent counsel undertake a criminal investigation of his ties to Wedtech Corp., a defense contractor that is the subject of federal inquiries.

The counsel, James C. McKay, said the inquiry would begin immediately and "be pursued as expeditiously as possible."

Mr. Meese, who has had various personal and financial dealings with individuals associated with Wedtech, predicted that he would be vindicated.

He also announced that he was terminating the "limited partnership" he and his wife established under California law in May 1985 with W. Franklyn Chinn, a West Coast businessman who had just become a consultant for Wedtech.

"The attorney general desires that this matter be resolved as promptly as possible, and in a form that will prevent partisan political exploitation," said Terry H. Eastland, a Justice Department spokesman.

Deputy Attorney General Arnold Burns, who served as the intermediary in the case, asked Mr. McKay in a letter to expand the investigation.

Mr. McKay has been looking into lobbying on Wedtech's behalf by Lyn Nofziger, a former White House aide, and his associates. Mr. McKay said last week, in response to congressional inquiries, that he did not think his mandate was broad enough to cover Mr. Meese without explicit authorization.

In his letter, Mr. Burns pointed out that there were not only similar legal issues involved, but also "a substantial factual overlap between the allegations concerning Mr. Nofziger's relationship with Wedtech/Wedtech" — the company was originally called Welbit Electronic Die Corp. — "and the recent reports concerning Mr. Meese's deal."

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U.S. Vows to Protect Its Shipping in Gulf

BAGHDAD — An American official warned Monday against attacks on U.S. ships in the Gulf.

"We regard any attack on an American ship as a very serious affair," said Richard M. Murphy, assistant secretary of state for Near Eastern and South Asian affairs.

"We will do what is necessary to ensure the passage of our ships."

In Bahrain, Ambassador Sam Zakhem of the United States said the United States would be willing to consider a multinational naval force, possibly including the Soviet Union, to protect shipping in the Gulf.

"It is my belief," he said, "that my government would welcome peace-loving nations like Britain and France and whoever would like to play a constructive role."

Asked if this could include the Soviet Union, since one of its cargo vessels was attacked by Iranian boats on May 6, he said: "If the Soviets want to play a constructive role, I believe my government would probably welcome that."

The International Chamber of Shipping in London asked the United Nations in January to consider forming a peacekeeping force to escort convoys in the Gulf.

Kuwait's official press agency hinted Sunday night the emirate would endorse the idea. Kuwait, which exports all its oil via the Gulf, is negotiating with the United States to register 11 tankers under the American flag to gain the protection of U.S. warships. It has already arranged to charter Soviet tankers to carry some of its oil.

Mr. Murphy, who was in Baghdad as part of a Gulf tour, was asked what would happen if Iran attacked Kuwait tankers flying the American flag.

"These will not be Kuwaiti ships," he said. "They will be ships, which in order to carry the American flag will have to be owned by an American corporation. They will be ships which have been sold by Kuwait to this American corporation."

Iran has this year stepped up attacks on vessels going to Kuwait, because the emirate backs Iraq in its war with Iran.

Iran's naval forces have stopped U.S. ships in the Gulf to check if they were carrying arms destined for Iraq. But none has been reported attacked.

Mr. Murphy, who will go on to Kuwait, delivered a message from President Ronald Reagan to the Iraqi leader, Saddam Hussein, on efforts to end the war, which has been going for six and a half years.

Klosk India Assumes Rule of Punjab

NEW DELHI (Reuters) — The Indian government imposed direct rule Monday on the state of Punjab, saying that the moderate Sikh government there failed to counter separatist violence.

A proclamation issued after a cabinet meeting said the central government in New Delhi would take immediate control of the state following a "breakdown of the law and order machinery."

More than 900 people have died in the last 18 months in a campaign by Sikh extremists to set up an independent homeland for Punjab's 12 million Sikhs.

French Shut Reactor

GRENOBLE, France (AP) — The breeder reactor plant at Creys-Malville near here is to be shut indefinitely at the end of the month for repairs to a storage tank, the plant's management said Monday. The plant, a major power producer, leaked sodium coolant in March.

SPECIAL TODAY

SEOUL'S NEW TURMOIL South Korea's balance sheet shows a rapidly expanding economy, but hopes for a resolution of the country's political troubles have faded. A special report, Pages 11-16



Christian Lacroix, the new Paris couture sensation, is being heavily courted in the U.S. Hebe Dorsey reports. Page 7.

GENERAL NEWS

U.S. and Bolivian troops began joint maneuvers, but denied they planned raids on Bolivian drug traffickers. Page 5.

Israel's cabinet remains split after debating plans for a peace conference. Page 2.

Dow close: Down 15.00 The dollar in New York: DM £ Yes FF 1.7905 1.6615 139.55 5.9620

59 U.K. Brokers Defect to Rival Firm

By Warren Gedler International Herald Tribune LONDON — More than two-thirds of the trading staff of Purcell Graham & Co., one of five Eurobond brokerages operating in London's financial district, said Monday they were resigning and moving en masse to a competing American-owned firm.

The exodus of at least 59 people would represent the largest single defection in the recent history of the City, London's financial district, and would cripple the firm.

Spiraling salaries and major personnel shifts, including the "raiding" of brokerages by corporate "headhunters," have become increasingly common since London moved to deregulate its financial markets in the so-called "Big Bang" in October.

Nothing, however, has matched the potential coup scored by Cantor Fitzgerald U.K. Ltd., the British arm of a Wall Street bond firm, where the Purcell employees were said to be headed. The defections would double the size of Cantor's staff.

The trend has aroused the concern of British regulatory authorities, who view rapid personnel changes from company to company as potentially disruptive to the market.

Richard Worthington, a director of Exco International PLC, the London-based financial service group that acquired Purcell for \$22 million in October, said that about 45 of 60 Purcell staff members in London had resigned.

"We believe they will be seeking employment with Cantor Fitzgerald," he said. One Exco official added, "They appear to have been poached away by Cantor."

Mr. Worthington said that another 14 employees had followed suit in Purcell's Hong Kong office, the group's sole overseas branch.

Purcell is believed to be the second-largest Eurobond broker in London.

John O'Connell, managing director of Cantor, a subsidiary of Cantor Fitzgerald Securities Co. of the United States, confirmed that "numerous" staff members from Purcell had approached Cantor concerning future employment.

Mr. O'Connell said that those employees would be welcome pending formal termination of their current contracts.

Analysts said that his carefully worded comments reflected Cantor's reluctance to appear as if it had encouraged the defections.

Lawsuits have been filed against firms in the United States for "raiding" senior staff from the trading floors of major brokerages.

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Aquino Slate Leads in First Poll Results

MANILA — Supporters of President Corason C. Aquino were leading Monday in early and unofficial returns in congressional elections that are considered the last step in restoring full democracy to the Philippines.

Initial returns carried by the state-run Philippines News Agency and the independent radio station DZRH showed Mrs. Aquino's chosen candidates leading in races for the 24-member Senate, the more powerful of the two houses, by at least 17-7.

The military, however, voted heavily for the opposition, according to an unofficial count of absentee ballots by the private but government-approved National Movement for Free Elections.

The partial count showed the opposition leading, 16-8, among absentee voters.

The scattered results accounted for less than 1 percent of the votes. Officials estimated that 90 percent of the island's 26.4 million registered voters participated.

A spokesman for the Commission on Elections said it did not expect a trend to emerge until later this week in the Senate race.

Filipinos also voted for 200 members of the House of Representatives. No results were immediately known in that race.

Polling places in the capital were jammed and the streets were littered with sample ballots. Voters took up to 15 minutes to fill out the ballots, on which they had to choose a representative and 24 senators.

The military listed 16 deaths in election-related violence. In the worst incident, on the southern island of Masbate, five civilians were killed in a Communist guerrilla attack on a police station.

General Fidel V. Ramos, chief of the armed forces, said 65 persons died in election-related violence during the two-month campaign.

By comparison, 155 people died during the 1971 congressional campaign and 49 on election day that

See AQUINO, Page 4



Nuns voting Monday in Manila in the election to fill 24 seats in the Senate and 200 in the House of Representatives.

Texas Throws Beer Can Out the Driver's Window

By Robert Reinhold New York Times Service

HOUSTON — Another Texas tradition has fallen. Starting Sept. 1, Texas drivers will no longer be able to hurl down the road in their pickup trucks guzzling beer, though their passengers will.

In signing the state's first law against drinking alcohol and driving at the same time, Governor Bill Clements insisted Thursday that he had never hoisted a "long neck" on the way home from work. If so, he was one of the few who haven't in a state where the "Bubba" in a pickup littered with beer cans has become almost a caricature.

The bill passed the state Senate and House by voice vote with no opposition. But that was only because the legislation was watered down, so to speak, in committee, so that it applies only to the driver. Passengers may continue to obliterate themselves as long as the police do not see the driver sneaking a sip.

"The Texas Legislature is not ready to pass a complete ban on open containers," said Eric Glenn, chief clerk for the House Committee on Liquor Regulation. "Texans sort of pride themselves on personal freedom and feel it's their God-given right to rip up and down the highways with beer can in hand."

Still, Milo Kirk of Dallas, lobbyist for Mothers Against Drunk Driving, called the law a "step in the right direction" and vowed to press for a full "open-container" law during the next legislative session.

"The people that live here now are disgusted with the old Texas macho image," she said.

Despite a lightning of laws in recent years, 15 states, including Texas, had no laws as of January 1987 against consuming alcoholic beverages at the wheel, although there are local ordinances against it in many cities in those states, according to the National Highway Traffic Safety Administration. Until the Texas law goes into effect, it will still

be possible to drive the 3,000 or so miles (4,800 kilometers) from Key West, Florida, to northern New Mexico without putting down your drink.

The other states in which anyone in a vehicle can drink are: Alabama, Alaska, Connecticut, Delaware, Florida, Georgia, Indiana, Louisiana, Maine, Mississippi, Missouri, New Mexico, Tennessee and Wyoming. This represents a considerable decrease from 1985, when 26 states had no laws, the National Safety Council said.

Until now, the police in Texas could not arrest someone drinking at the wheel unless he showed signs of intoxication. The new bill provides a \$200 misdemeanor fine if the officer sees the driver take a drink, so there are questions about whether it can be enforced. A more potent bill was opposed by the Wholesale Beer Distributors of Texas, which neither supported nor opposed the final, diluted bill.

Joel Braadenberger, a spokesman for the

chief Senate sponsor of the bill, Bill Sarpatins, a Democrat who represents the Panhandle, said this was the strongest bill possible.

"Everybody would have loved to have seen liquor banned from automobiles entirely," he said, "but that might have taken another two or three sessions."

Major George King, a traffic enforcement specialist with the Department of Public Safety, was optimistic that, though difficult to enforce, the law would work.

"The real value is that most people are going to be law-abiding," he said, citing the surprising level of compliance by Texans with another disputed new law requiring seat-belt use.

While one tradition has crumbled, the legislature is considering reviving another. A bill would permit Texans to carry pistols on their belts, as an anti-crime measure. This raises the prospect that Texans will be wielding two lethal weapons on the road: a vehicle and a Colt .45. But at least they won't be drinking beer at the same time.

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# Cabinet Fails To Break Deadlock on Peres Plan

*The Associated Press*  
**JERUSALEM** — A divided cabinet debated Monday whether Israel should participate in a proposed international peace conference, but officials said the two sides had come no closer to agreement.

The coalition government of Prime Minister Yitzhak Shamir and Foreign Minister Shimon Peres is split on the issue, with Mr. Shamir opposing participation and Mr. Peres contending that Israel will miss a historic chance for peace if it says no.

Mr. Peres has threatened to force early elections if his position is rejected by the 10-member inner cabinet. A deadlock seems likely because the inner cabinet is evenly divided between Mr. Peres's Labor Party and Mr. Shamir's conservative Likud bloc.

Mr. Peres would not say what was discussed during the four-hour meeting Monday. He said a second session was planned for Wednesday. He is to fly to Washington that day to discuss the issue.

Government officials from both Likud and Labor said no progress had been made toward agreement on the international conference. They hinted at the possibility of elections.

Two government officials who asked that neither their names nor party affiliations be used said no progress was made Monday and predicted a stalemate Wednesday as well.

"If you ask me about the likelihood of a compromise after this meeting, I'd say it's highly unlikely," one said.

Their assessments contradicted earlier speculation that the cabinet was moving toward a compromise that would avert a vote on the plan but allow Mr. Peres to continue contacts on the issue.

Mr. Shamir's aides had said he would make a counterproposal at Monday's session, but officials said he did not do so.

The prime minister said over the weekend that he had developed a peace plan based on direct negotiations with King Hussein of Jordan. He has declined to give details.

Mr. Peres's U.S.-mediated proposal calls for a conference convened by the United Nations secretary-general. Participants would include the five permanent members of the UN Security Council — the United States, the Soviet Union, China, Britain and France — as well as Israel, Jordan and possibly other Arab countries.

Mr. Shamir, who has said early elections would not be in the national interest, opposes an international conference because he fears it could leave Israel isolated and open to pressure to give up the occupied West Bank and Gaza Strip.

As the cabinet ministers met Monday, members of the Labor Party youth movement and the rightist, nationalist Tehiya Party demonstrated near Mr. Shamir's office. Labor supporters carried banners reading "Yes to Peace, No to Stagnation."



Yitzhak Shamir, left, and Shimon Peres at the cabinet meeting Monday.

# Iraq Is Alleged to Gas Kurdish Villages

*By Loren Jenkins*  
*Washington Post Service*  
**BANEH, Iran** — As Ali Karapour remembers it, he had just left his home in the Kurdish village of Bol Hassan near this Iranian provincial city when he heard the roar of planes coming over the mountains.

Before he realized what was happening there were muffled explosions back near his village.

By the time he rushed back to his house there was just a pall of disappearing mist and "the smell of garlic." Doctors here say the smell of garlic is characteristic of the mustard gas that Iraq is accused of using against dozens of civilian villages in the mountainous Kurdish regions that straddle the Iran-Iraq border.

At first, no one in Mr. Karapour's family of 11 seemed harmed by the explosions, which had erupted not 100 yards (90 meters) from the front of his home. But within hours his children, his wife, sister and mother-in-law began to complain of watering, irritated eyes and itching skin.

By the time Mr. Karapour had walked his family to Baneh, 12 miles (20 kilometers) west of the village, seven members of his family, including three young children and an 11-month-old baby, were being led like blind people, holding the belts of those in front of them.

Mr. Karapour took them to the makeshift hospital for treating gas victims that has been erected at Baneh in a primary school.

The eyes of the seven were swollen half shut, streaming tears. The skin of their faces was red and bloated. The baby, cried with pain whenever she was touched.

"It looks pretty certain that it is another case of mustard gas," said Dr. Ali Rezar Albabi after examining the patients, swabbing their



eyes with a cleansing solution, saving their faces with cream and ordering injections to try to counter the longer-lasting effects of the gas.

Like many Iranian doctors, Dr. Albabi, 27, who is from Tehran, is lending his services to a hospital near the front lines of the war with Iraq. He said that since Iraq first

started using mustard gas against Iranian troops on the southern front two years ago all Iranian doctors had received training in treating it.

Mustard gas is one of the oldest chemical weapons known, having been used with devastating effect in World War I. Mustard gas is banned by the Geneva Convention on Warfare that was hammered out after World War I.

Dr. Albabi makes clear, and foreign diplomats in Tehran confirm, the use of mustard gas by Iraq is not new. A United Nations investigation in 1986 confirmed its use.

But in previous cases Iraq tended to use it only against Iranian troops when its own forces were especially pressed at the front. This time, however, Iraq is accused of using gas against civilian villages as well, both in Iran and in Iraqi Kurdistan, where Iranian irregular forces have advanced over mountains in an offensive called Karbala-10.

Iraqi Kurdish rebel officials in Tehran claim that since April 14, when the first gas attacks occurred, Iraqi planes have dropped gas on at least two dozen Kurdish villages, killing 33 Kurds and injuring more than 450.

# In Middle East, Moscow Enjoys a Rise in Influence

*By John Kifner*  
*New York Times Service*  
**CAIRO** — The Soviet Union has begun a series of diplomatic moves in the Middle East that appear aimed at restoring its influence in the region, which has suffered since President Anwar Sadat of Egypt expelled Soviet military advisers 15 years ago.

Under Mikhail S. Gorbachev, Soviet policy in the region, once largely focused on such extremist countries as Libya, has shifted to reach out to more moderate Arab nations and even to Israel.

A major Soviet triumph was the reconciliation last month of long-quarreling Palestine Liberation Organization factions, which was largely brokered by Moscow.

Other recent developments include:

- Open Soviet support for a proposed international conference on Middle East peace, which is being pressed by King Hussein of Jordan.
- A visit to Moscow by the major Soviet client in the area, President Hafez al-Assad of Syria, during which Mr. Gorbachev, while praising more arms, reportedly urged a less recalcitrant role for the Damascus government.
- Overtures toward Israel — even during Mr. Assad's visit — that included hints of reopening diplomatic relations, along with moves to allow more Soviet Jews to emigrate from the Soviet Union.
- A warming of relations with Egypt, the major Arab client of the United States in the region, including the easing of repayments of Cairo's old military debts.
- The protection of some Kuwaiti oil tankers from attacks by Iran in the Gulf war, part of a series of moves in the Gulf aimed at the establishment of ties with the most conservative of Arab countries, Saudi Arabia.

"One of the great changes in the area in the coming period is going to be the new friends of Russia," said a Western-oriented Arab intellectual in Jordan.

A major factor in Moscow's recent success, in addition to the generally more flexible strategies of Mr. Gorbachev, is an emerging wish in the Arab world to use the Russians as a counterweight to the United States.

"Striking a balance between the two powers achieves for Egypt the best position for maneuvering between them," the Egyptian newspaper Al-Ahram said in an editorial recently.

The editorial, which is known to reflect the views of President Hosni Mubarak, added that striking such a balance was the ideal formula for Egypt because of the country's dependence on the United States in protecting its economic and security interests "places it under the mercy of this party."

Kuwait, for example, played Moscow and Washington off against each other earlier this year. After a sharp increase in Iranian attacks on tankers flying its flag, Kuwait, which has supported Iraq in the six-year war, asked both superpowers for naval protection.

The Russians responded swiftly. They leased three Kuwaiti tankers, so that, as Soviet-flag vessels, they would be under the protection of the Soviet Navy. The United States is still negotiating a more elaborate plan, under which a holding company would be set up to lease up to half of the 22 ships in Kuwait's tanker fleet to give them similar protection.

The changing attitude in the Arab world is also shaped by resentment of the United States, not only over the recent secret supply of arms to Iran, which is widely seen as a threat to the stability of the Arab world, but over U.S. policy in general, which Arabs widely view as dominated by the interests of Israel.

The major Soviet coup, according to both Western and Arab sources, was arranging the reconciliation in Algiers of Yasser Arafat, the mainstream Palestinian leader; with the rival Palestinian guerrilla factions. Two of such Damascus-based factions, the Popular Front for the Liberation of Palestine and the Democratic Front for the Liberation of Palestine, have had longstanding ties with Moscow.

"The Soviets are the greatest winner in this exercise," said a key adviser to Hussein.

# WORLD BRIEFS

**Soviet Joins UN Anti-Terrorist Pact**  
**MOSCOW (Reuters)** — The Soviet Union said Monday it would join a United Nations convention that commits members to acting to prevent the taking of hostages.

The convention was adopted by the UN General Assembly in December 1979, about six weeks after the seizure of the U.S. Embassy in Tehran by Islamic students.

Diplomats said 36 countries had signed the convention. Part of the agreement states that members would punish hostage-takers "by appropriate penalties which take into account the grave nature of those offenses."

**Thais to Pay 5% of Cost of China Arms**  
**BANGKOK (UPI)** — China is selling arms to Thailand at only 4 to 5 percent of their total value, the commander of the Thai Army, General Chaowalit Yonchayai, said Monday. General Chaowalit went to Beijing earlier this month to buy T-69 tanks, 130mm artillery shells, 37mm anti-aircraft guns and armored personnel carriers.

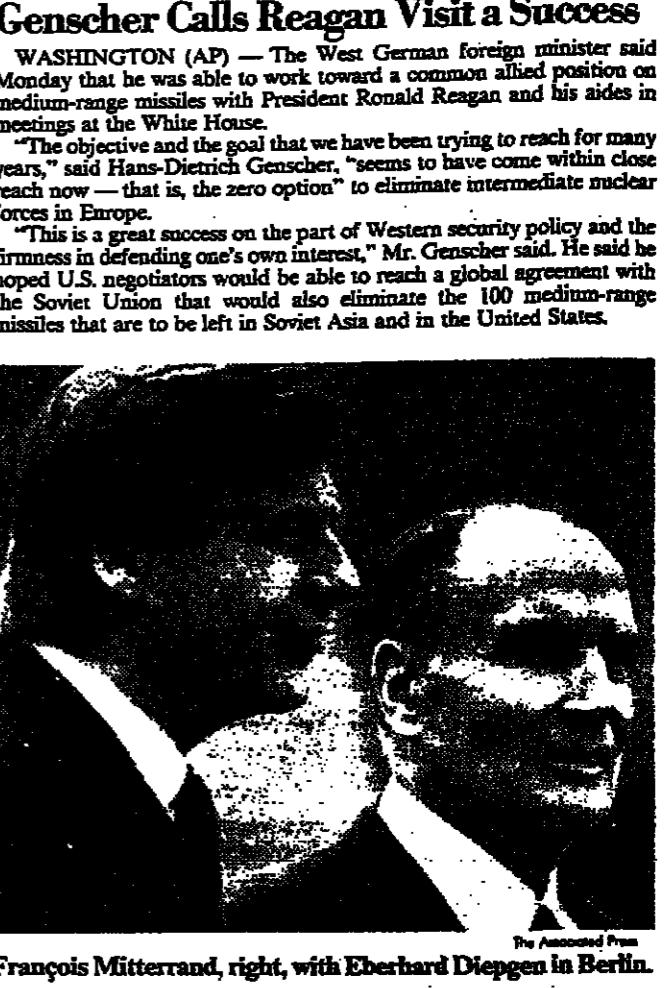
He said the purchase had a value of "thousands of millions of baht" but that China agreed to charge only 4 to 5 percent of the total value. Chinese officials reports said the purchase price was about \$10 million. Chinese officials consider the price reduction a form of assistance to Thailand, said General Chaowalit.

Military relations between China and Thailand have warmed following the Vietnamese invasion of Cambodia in December 1978. China supplies Cambodian guerrillas with arms by shipping them through Thailand. Beijing also has said it would help defend Thai territory if Vietnamese forces ever invaded. But General Chaowalit said he did not sign any formal military agreement during his visit to China.

**Genscher Calls Reagan Visit a Success**  
**WASHINGTON (AP)** — The West German foreign minister said Monday that he was able to work toward a common allied position on medium-range missiles with President Ronald Reagan and his aides in meetings at the White House.

"The objective and the goal that we have been trying to reach for many years," said Hans-Dietrich Genscher, "seems to have come within close reach now — that is, the zero option" to eliminate intermediate nuclear forces in Europe.

"This is a great success on the part of Western security policy and the firmness in defending one's own interests," Mr. Genscher said. He said he hoped U.S. negotiators would be able to reach a global agreement with the Soviet Union that would also eliminate the 100 medium-range missiles that are to be left in Soviet Asia and in the United States.



François Mitterrand, right, with Eberhard Diepgen in Berlin.

**Soviet Protests West Berlin Meeting**  
**MOSCOW (Reuters)** — The Soviet news agency Tass accused West Germany on Monday of undermining the four-power agreement over Berlin.

It said a meeting between President Richard von Weizsäcker of West Germany and President François Mitterrand of France in Berlin contravened an agreement with Moscow, Washington and London. Mr. Mitterrand was the first head of state of the three Western military powers to meet a West German president at his official residence in West Berlin.

Moscow considers any formal West German presence in Berlin a breach of four-power agreements. Mr. Mitterrand's visit was designed to reassert French political and military support for the city in its 750th anniversary year. "This step is evidence that Bonn, ignoring the legal position of West Berlin, an independent political unit, treats this city as West German territory," Tass said.

**For the Record**  
 Twenty Poles abandoned a tour group in Bavaria over the weekend and are expected to seek political asylum in West Germany, the Munich police said Monday. (AP)

Three persons were injured early Monday in a bombing at a cultural and administrative center for foreigners in Marseille, the police said. They said bomb experts defused a second device. (AFP)

# Khartoum Presses Refugees to Leave

*By Jonathan C. Randal*  
*Washington Post Service*  
**KHARTOUM** — The authorities here, long tolerant of refugees from other parts of Sudan and East Africa, have begun a campaign to force thousands of displaced persons out of this city.

Khartoum and its sister cities, Omdurman and Khartoum North, contain more than one million residents, official figures say. An additional 500,000 people are estimated to be here without documents.

Officials say the refugees are overcrowding public facilities and increasing lawlessness.

In March and April, local officials rounded up 6,000 Sudanese said to lack documents, according to the official Sudanese press agency. Some of those detained have been fined, the agency said.

Other reports say authorities destroyed shantytowns and forced young men to work on farms.

Among the refugees here are many Sudanese from the south, fleeing the civil war in that region, where Christian and animist blacks have been rebelling against rule by the Arab-dominated central government. Western Sudanese drifted here in 1984 and 1985, when their lands were seized by drought.

The *kasha*, as the roundup is called here, initially affected about 45,000 foreign refugees as well, mainly Eritreans who have fled the fighting in their region of Ethiopia.

Many Eritreans have taken over skilled jobs in the Khartoum area. These jobs were abandoned by Sudanese who took better-paying positions in Saudi Arabia and other Arab states.

Repeated representations by the U.S. Embassy, other diplomatic missions and the office of the United Nations High Commissioner for Refugees helped stop the removal of about 45,000 refugees, most of them Eritreans, from the capital and its environs.

The diplomats, while acknowledging that the government was technically within its rights to settle refugees wherever it chose, reportedly warned that the campaign could damage Sudan's reputation as a haven in an often intolerant continent.

# North Korea, Long in Soviet Camp, Is Said to Be Warming Up to China

*By Daniel Southerland*  
*Washington Post Service*  
**BEIJING** — North Korea appears to be improving its relations with China after having leaned toward the Soviet Union for several years, according to West and East European sources.

The sources said preparations are being made for a visit to China by the North Korean president, Kim Il Sung, in what appears to be the latest sign of a warmer attitude toward the Chinese. Diplomats said such a visit could come as soon as this month and no later than August.

A Chinese Foreign Ministry spokesman said Wednesday that he could not confirm that Mr. Kim had planned a visit to China.

Diplomats said that Mr. Kim might want to balance more evenly North Korea's relations with China and the Soviet Union and might also seek more Chinese support for North Korea's demand that it be allowed to co-sponsor the Summer Olympics next year, to be held in South Korea.

Mr. Kim would also likely seek

clarification from the Chinese on a recent U.S. diplomatic overture toward North Korea, diplomats said. They suggested that Mr. Kim also wanted a personal look at the direction of domestic Chinese politics.

Mr. Kim's last visit to China, a low-key, unofficial trip, was in November 1984. This time, the sources said, Mr. Kim was insisting on an official visit.

An East European source said Mr. Kim also wanted assurances that when he met with China's acting chairman of the Communist Party, Prime Minister Zhao Ziyang, he would be meeting with the man who would ultimately be China's permanent party chief. The Chinese gave Mr. Kim such assurances, the source said.

China, which fought on the side of the North in the 1950-53 Korean War, has been encouraging a peaceful settlement of differences between the two Koreas. China needs stability on the Korean peninsula, according to analysts in Beijing, so that it can devote most of its energies to its economic modernization program.

The United States informed the North Koreans in March that it was prepared to take major steps to improve relations if the North resumed talks with the South and agreed to participate in the 1988 Summer Olympics in Seoul.

U.S. State Department officials said last month that the U.S. initiative was presented to the North Koreans through Chinese officials.

Analysts in Beijing said the United States would like to see a lessening of Soviet influence in North Korea. Washington, they said, also hopes that North Korea will not disrupt the Olympic Games, for which South Korea has been preparing at great expense.

North Korea is said to have agreed in principle to receive a delegation from the International Olympic Committee.

The committee president, Juan Antonio Samaranch, was recently reported as saying that he hoped to send a mission to prepare for a round of talks in July among officials from North Korea, South Korea and the International Olympic Committee.

The United States and North Korea have no diplomatic relations and, until recently, have had no official or even informal contacts. But in early March, the State Department disclosed that U.S. diplomats were authorized to talk with North Korean officials when they met at diplomatic receptions.

# Yugoslav Miners Accept Pact

*Reuters*  
**BELGRADE** — Yugoslav miners have won pay increases of up to 46 percent and the resignations of several managers, apparently ending a 33-day strike.

Official reports from Labin, in northwestern Yugoslavia, said the miners there had decided to resume work after reaching an agreement on Monday with management.

The miners originally demanded a 100-percent increase in their minimum wage, special conditions for housing loans, cuts in nonproductive personnel and the dismissal of the mines' entire management.

Under Monday's agreement, workers are to receive pay rises of 4 percent to 46 percent.

The miners also won the resignations of the mines' technical director, finance director and the secretary of the mines.

An institute specializing in work organization will study manning levels at the mine, where white-collar workers outnumber miners by 2 to 1.

The strike followed widespread unrest after Prime Minister Branko Mikulic approved legislation in March intended to hold down wages to curb inflation.

# Rate of Serious Crime Rose 6% in U.S. in '86

*Reuters*  
**WASHINGTON** — Serious crime in the United States rose by 6 percent last year in the largest increase since 1980, the Federal Bureau of Investigation reported.

The 1986 statistics, based on crimes reported to law enforcement agencies throughout the country, showed increases in all offenses since 1985.

# TRAVEL UPDATE

A new taxi-sharing plan for London will go into effect between Heathrow Airport and the West End that will allow travelers to save at least half the present fare of about £16 (\$27), a Transport Ministry spokesman said Monday. (UPI)

Air France said it had maintained flights Monday despite a strike by pilots. A spokesman said enough pilots had rejected the strike, which began Sunday and is scheduled to last until Thursday, to maintain a full schedule. (Reuters)

Portuguese train engineers staged their second 24-hour strike in two weeks Monday. (Reuters)

London's bus services were paralyzed Monday by a 24-hour strike of crews protesting the government's policy of offering routes to private operators. (AP)

**This Week's Holidays**  
 Banking hours and government services will be closed or curtailed in the following countries this week because of national and religious holidays:

**TUESDAY:** Bangladesh, Burma, Malaysia, Singapore.  
**WEDNESDAY:** Indonesia, Sri Lanka.  
**THURSDAY:** Liberia, Malawi, Paraguay, Sri Lanka.  
**FRIDAY:** Denmark, Iran, Paraguay.  
**SUNDAY:** Israel.

*Source: Morgan Guaranty Trust Co., Reuters.*

# Malta Nationalists Rejoice, Though Tally Is Incomplete

*Reuters*  
**VALLETTA, Malta** — Supporters of the opposition Nationalist Party on Malta celebrated an expected victory Monday after the general election, although officials on both sides said the outcome still was not clear.

"At this stage it is too early to predict anything," the Labor government's spokesman, Paul Mifsud, said as ballots from the Saturday election were counted under police guard at a barracks. "In here, where it counts, it's still neck and neck."

Louis Galea, the Nationalist Party's general secretary, agreed. "It's too early to say," he said.

Partial results from the first of 13 election districts showed the Labor Party with three seats to two for the Nationalists. Elections officials said the deputy prime minister, Wladimir Abela, won one of the Labor seats.

The pro-Western, conservative Nationalists have been out of power since the socialist Labor Party won office 16 years ago.

Although the Nationalists took 51 percent of the vote in the 1981 election, they failed to win a majority of the 65 seats in the legislature. But in this election, the party that won more than 50 percent of the vote takes power.

Since Labor came to power in 1971 under Dom Mintoff, the island has set out on a course of neutrality and nonalignment as well as close relations with Libya. A victory by the Nationalists would turn Malta back toward the West.

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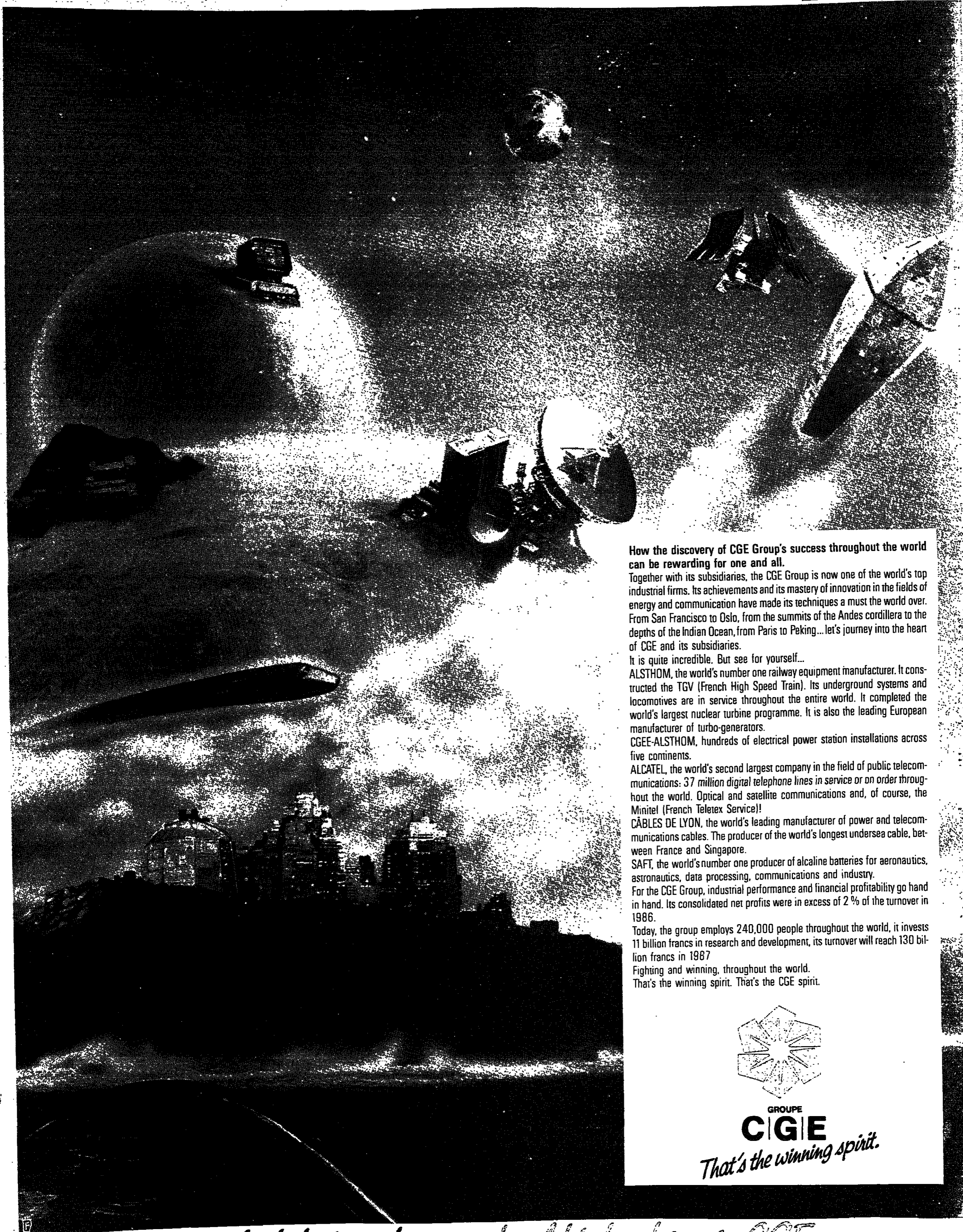
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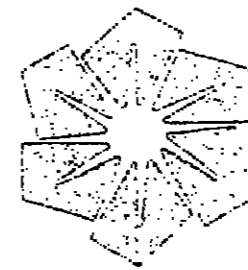
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# TRIAL: Dispute Over Barbie Alias

(Continued from Page 1)

parka given to him at the last moment to protect him from the cold.

Before the trial began, 44 Jewish children opened a temporary monument dedicated to the Holocaust outside the Lyon city hall.

The children represented the Jewish children, aged 3 to 17, that Barbie is charged with having removed from a children's home in the village of Izieu on April 6, 1944, and deported to the Auschwitz concentration camp, where they died.

In front of the stone steps of the Lyon courthouse, two Gypsies held a placard accusing Barbie of deporting 400 Gypsies from the Lyon area to their deaths.

Along with Jews, Gypsies were a priority for extermination in Hitler's attempt to protect what he called "the master race."

Many French public figures, such as former Health Minister Simone Veil, herself a concentration camp survivor, have expressed the fear that the trial will merely provide Barbie with a tribune from which to sully the memory of the French Resistance and to highlight French collaboration.

These fears have been heightened by pledges from Barbie's lawyer, Jacques Vergès, to turn the trial into an accusatory review of the French wartime record.

In the opening session Monday, after the defendant identified himself as Altmann, Judge Cerdini

asked him when he had adopted the name. He replied that he had taken it in 1951. That was the year he fled Europe with U.S. help for Bolivia.

He said he had taken Bolivian nationality under both names in 1957. Bolivian officials have said he was naturalized as Altmann, and his use of a false identity was one of the grounds for his expulsion.

Early in the proceedings, Barbie told the judge that he wanted to speak in German through an interpreter. But he answered the first questions in French and clearly understood the proceedings.

From time to time he looked around the courtroom at the press gallery and the public gallery, where Foreign Trade Minister Michel Noir and former Defense Minister Charles Fierou, both members of Parliament from the Lyon area, sat.

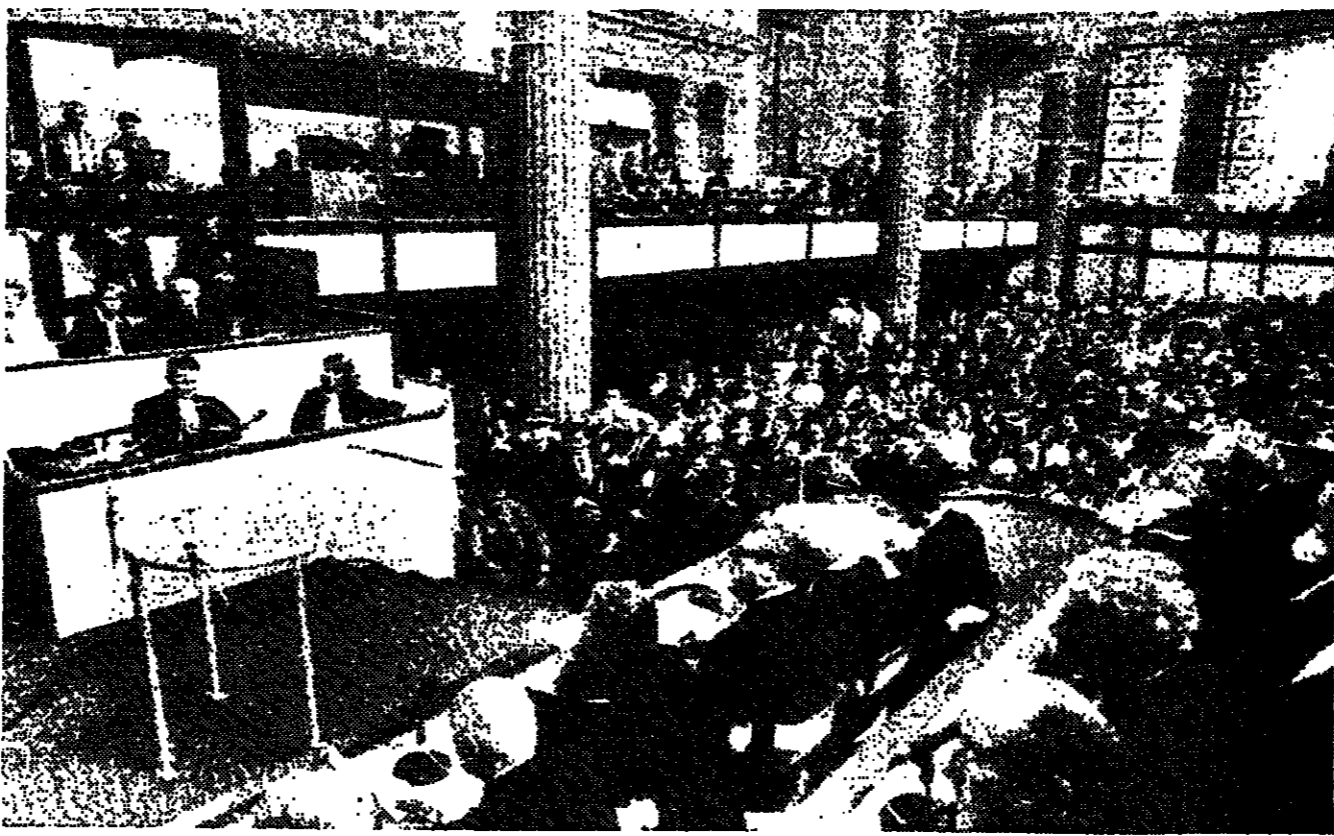
Mr. Cerdini drew lots to choose the nine jurors who will sit with the three judges throughout the trial, which is expected to last at least six weeks. Some court officials predicted a verdict as late as July 10.

Mr. Vergès rejected two of the proposed jurors, both young women, and the prosecutor, Pierre Truche, rejected one young man. No reasons were given.

Mr. Cerdini asked the jurors, four women and five men, to consider the proceedings "without hate or evil" as they decide on the fate of a man who was twice sentenced to death by French courts for specific war crimes in the 1950s.

These sentences are now invalid because of France's 20-year statute of limitations. Under the new charges framed under the law on crimes against humanity, Barbie faces possible life imprisonment.

The question of Barbie's identity caused one of the 40 lawyers for civil plaintiffs, Charles Libman, to seek clarification. Barbie said, "I



A view of the Lyon courtroom. Barbie's lawyer, Jacques Vergès, is in the front-row box; Barbie sits directly above him.

shall not reply to these questions."

Mr. Vergès then protested that Bolivian documents in the name of Altmann had disappeared while Barbie was being searched on his arrival in Lyon in 1983.

The prosecutor said, "I understand that the name of Barbie must be very heavy to carry." But he said he was satisfied that the defendant was the man who had been "an *obersturmführer*," or SS commander, "under the name of Klaus Barbie."

A list of about 100 witnesses, 90 of them called by the prosecution or the civil plaintiffs, was read out. They will describe Nazi actions against Jews and the torture and deportation of Resistance members.

Along with the Izieu case, the major charges against Barbie deal with the deportation of 650 people, mostly Jews, to concentration camps, and the deportation of 86 Jews seized at the Lyon office of the Jews of France Committee.

Just 75 minutes into the trial, Barbie's lawyer raised the name of Jean Moulin, a Resistance leader whom Barbie is alleged to have tortured to death. The Moulin case was part of charges brought against Barbie in the 1950s and cannot be included in the new accusation.

Mr. Vergès has said that his client will show that Moulin, realizing he had been betrayed by fellow Resistance fighters, killed himself.

The first day's session ended with court clerks reading the start

of the 350 pages of charges drawn up by the examining magistrate in the case, Christian Riss. The accusation includes the names of all the people Barbie is accused of deporting or torturing and a detailed account of Barbie's life and career.

The document included a report by prison psychiatrists who said Barbie showed no signs of remorse.

Six and a half hours after being led into court, Barbie chatted with a guard while being handcuffed for the return trip to his prison cell.

# CONTRA: McFarlane's Testimony

(Continued from Page 1)

rael had, in fact, shipped 508 TOW missiles, not the 100 to which the United States had agreed, and that as a result an American hostage was to be released.

Arthur Liman, chief counsel for the Senate investigating committee, asked Mr. McFarlane: "Did there come a time when you received a call from an Israeli representative telling you that as a result, an American hostage would be allowed to go free?"

"Yes," Mr. McFarlane responded. He said the call was between Sept. 10-11.

"Was that a very unpleasant call?" asked Mr. Liman.

"It was extremely disappointing," Mr. McFarlane said. "It was a report from Mr. Kimche in Israel that as a practical matter they had run into difficulties with the Israeli intermediaries."

Mr. Kimche said that "the United States could expect one hostage to be released within a couple of days."

Mr. McFarlane said Mr. Kimche had expected all the hostages to be released.

"Were you asked to play God and choose one hostage?" asked Mr. Liman.

"Yes," Mr. McFarlane said. He said he asked for William Buckley, the CIA station chief in Beirut.

He said he later chose the Reverend Benjamin Weir, a Presbyterian minister who was freed by Moslem extremists in Lebanon on Sept. 14, 1985. Mr. Buckley, it was learned, died in captivity, reportedly after being tortured.

Earlier in the day, Mr. McFarlane said that Mr. Reagan successfully interceded to secure the release of the arms to the contra commander of a country near Nicaragua had intercepted the lethal supplies.

Fitzwater, the presidential spokesman, said that, despite backing the contras, Mr. Reagan did not ask aides to solicit contributions for the rebels.

Mr. McFarlane also testified he met several times with an unnamed ambassador who ultimately made a pledge of \$1 million a month to help arm the contras, "ostensibly from private funds." There have been widespread reports that the ambassador was Bandar bin Sultan of Saudi Arabia. The Saudis have denied giving funds to the contras.

At one point, Mr. McFarlane seemed to suggest Mr. Reagan may have personally solicited aid for the contras from the head of state of the same country during a private meeting two years ago.

Although Mr. McFarlane identified the nation involved only as "country two," he did refer in his testimony to his preparations for a visit by King Fahd of Saudi Arabia.

Mr. McFarlane said the visit of the foreign leader included a private session with Mr. Reagan. Mr. McFarlane said he learned a day or so later that donations from that country would be doubled to \$2 million a month.

At a White House briefing, Mr. Fitzwater said that while Mr. Reagan had sought to rally support for the contras, "Let no one believe that the president was involved in asking the staff or anyone else to provide illegal support for the freedom fighters."

Mr. McFarlane testified that he was stunned when Lieutenant Colonel Oliver L. North told him in May 1986 that money from the Iran arms sales was being diverted to the contras, but that he did not pass along the information because he was no longer a government official.

Mr. McFarlane learned about the scheme on the tarmac of an Israeli airport after he and Colonel North returned from a failed mission to Tehran to swap arms for hostages. He said Colonel North gave him the information to cheer him up after the unsuccessful trip.

## U.K. Polaris Missiles in Test

United Press International  
CAPE CANAVERAL, Florida — A Polaris missile with a dummy warhead fired from the British submarine Repulse was blown up by radio command Sunday.

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## MEESE: Special Prosecutor

(Continued from Page 1)

ings with individuals associated with the company."

Mr. Burns wrote that "in 1981-82, Mr. Meese's office in the White House participated in efforts to obtain for Weibilt a certain contract with the army; we understand that Mr. Nofziger's relationship to this contract is currently being investigated by your office."

In addition, Mr. Burns wrote, "Mr. Nofziger continued to have a financial relationship with Weibilt/Wedtech, and Mr. Meese has had personal and/or financial relationships with two individuals, E. Robert Wallach and W. Franklin China, who like Mr. Nofziger, received both professional fees and stock from Weibilt/Wedtech."

Mr. Wallach, a longtime friend of Meese, is a San Francisco lawyer who began advising Wedtech in 1981 and who enlisted Mr. Meese's help getting a White House review of the company's difficulties with the army. Sources say Mr. Wallach got \$640,000 in Wedtech stock and legal fees of \$360,000.

Mr. Nofziger, another friend of Mr. Meese, who left the White House in January of 1982, also did lobbying work for Wedtech on the army contract along with his partner, Mark Bragg. They received close to \$700,000 in Wedtech stock and an undisclosed retainer.

Mr. Chinn, who Mr. Wallach introduced to Wedtech and to Mr. Meese in 1985, received an option to buy 75,000 shares of Wedtech stock at below-market prices when he became a Wedtech consultant.

## BRITAIN: June Election Called

(Continued from Page 1)

ed Britain into haves and have-nots.

Mr. Kinnock said Britain's booming consumer economy, low inflation and declining interest rates had been achieved at the price of industrial decline and rising unemployment.

Although government figures show the unemployment rate having decreased for eight consecutive months, it is still more than 3 million, or 11 percent — compared with 1.1 million, or 4.3 percent, when Mrs. Thatcher took office.

"This election is about saving our country from industrial decline, social division and the destruction of community services," Mr. Kinnock said. He challenged Mrs. Thatcher to a debate, which the Tories promptly declined.

The centrist alliance of Social Democrats and Liberals condemned Mrs. Thatcher for catering to wheeler-dealers. But David Steel, the Liberal leader, said voters would also reject the "state socialism" which Mr. Kinnock offers.

David Owen, leader of the Social Democrats, said the alliance offered a "government committed to both the competitive market economy and a concerned, compassionate society which would unite the nation."

Talk of Labor and the alliance working together to deny Mrs. Thatcher a majority in a "hung Parliament" has waned as the alliance has become more frank about its hopes of displacing the Labor Party as the main opposition force.

Still, a dip below 38 percent in the total Conservative vote could cost Mrs. Thatcher a clear majority and open the way for her opponents to form a coalition. That is regarded as the major risk she takes in calling an election now.

By law, Mrs. Thatcher could have called an election as late as July 7, 1988. In deciding to go to the voters with 13 months left in her five-year term, she was responding to election fever in Parliament and a series of good political and economic omens.

These were capped by a strong Conservative showing in local elections Thursday, which in turn triggered a dip to 9 percent in bank interest rates and record trading in the stock market.

## AQUINO: Initial Returns

(Continued from Page 1)

year. Congress was abolished when President Ferdinand E. Marcos imposed martial law in 1972.

On Monday, former Defense Minister Juan Ponce Enrile, an opposition candidate for the Senate, accused the government of fraud.

In a radio interview, he charged that counting in the southern city of Iligan was stopped while opposition candidates were winning and ballots were transferred elsewhere.

Congress is scheduled to convene in July. Final results of the balloting are not expected for several days or even weeks.

Mrs. Aquino campaigned vigorously for her candidates. Senate support is vital for passage of her legislative package, which is expected to include land and economic reforms, factors that are seen as key in subduing the Communist insurgency.

Senate approval is also necessary to renew the treaty governing U.S. military bases in the Philippines, which expires in 1991.

Handwritten note: "Jury, 10/12/87"



## Prosecutor Reviewing Testimony by Abrams About Aid to Contras

By Philip Shenon  
New York Times Service  
WASHINGTON — Lawrence E. Walsh, the special prosecutor in the Iran-contra affair, is closely looking at congressional testimony by Elliott Abrams, an assistant secretary of state, and other government officials to find out if they made false statements about aid to the Nicaraguan rebels, according to federal investigators.

Mr. Abrams has come under scrutiny, the investigators said, because of his testimony denying government involvement in the private aid network, and because he initially failed to tell of his personal effort to solicit a \$10 million donation for the rebels, known as contra, from the sultan of Brunei.

Federal investigators said Mr. Walsh was also reviewing statements made to Congress by Robert C. McFarlane, President Ronald Reagan's former national security adviser, and by officials of the Central Intelligence Agency.

Mr. McFarlane began testimony Monday before the special congressional committee investigating the Iran-contra affair.

Mr. Walsh's intentions are not clear. While it is illegal to lie to Congress, the crime is rarely prosecuted. Proving that testimony was intentionally false can be difficult.

One federal investigator suggested that Mr. Walsh seemed likely to use evidence of false statements to bring conspiracy charges. The statements could then be described as acts that furthered a conspiracy to violate congressional restrictions on contra aid.

Mr. Abrams, who oversees Latin American policies at the State Department, recently obtained a private lawyer, W. DeVier Pierson, to help him prepare for investigations by Mr. Walsh and Congress. Mr. Pierson said his client had not been contacted by Mr. Walsh's staff. Lawmakers have repeatedly

questioned whether Mr. Abrams' congressional testimony about contra aid was accurate and complete. Although Mr. Abrams has denied involvement in the covert and apparently illegal program to supply the contras in 1985 and 1986, some members of Congress say they do not believe his denials.

They note that Mr. Abrams, an energetic official who seems to relish battles with Congress, had frequent contact with Lieutenant Colonel Oliver L. North, the former national security aide who coordinated the contra support network.

Mr. Abrams has also been chairman of the Restricted Interagency Group, an informal group of government officials, once including Colonel North, who helped coordinate contra policy. Lewis A. Tambis, who was ambassador to Costa Rica until January, said the group's core officers, including Mr. Abrams, directed him to lend support both to the contras and to the private Americans who were supplying them with arms.

"I didn't believe Abrams then and I don't believe him now," said Representative Peter H. Kostmayer, Democrat of Pennsylvania, a member of the House Foreign Affairs Committee, which has frequently heard testimony from Mr. Abrams. "I think he's up to his eyeballs in this stuff."

Other lawmakers, however, have strongly defended Mr. Abrams. Federal investigators said Mr. Walsh would review Mr. Abrams' appearance last Nov. 25 before a closed meeting of the Senate Intelligence Committee.

That testimony has not been made public, but a committee report about the investigation said Mr. Abrams was asked about "third-country support" for the contras. He failed to mention soliciting \$10 million from the sultan of Brunei last summer to aid the contras. At about the same time, Mr.



Elliott Abrams

Abrams was quoted publicly as saying that "nobody in this building had any idea of any contributions coming from a foreign government."

In testimony before the Senate Intelligence Committee on Dec. 8, however, Mr. Abrams was placed under oath, acknowledged the Brunei donation, and apologized "for withholding this information," the committee's report said.

"He said he did not feel he had been asked a direct question and did not realize until shown the transcript that his statements clearly left a misleading impression," the report said.

A congressional official with knowledge of the committee's investigation said Mr. Abrams admitted to gaps in his testimony only after he was confronted with the transcript at a meeting with senators.

An associate of Mr. Abrams said the account was inaccurate. It was Mr. Abrams, he said, who made the original effort to clear up the misunderstanding over the testimony.

Shortly after the November testimony, the associate said, Mr. Abrams went to his superiors at the State Department, received permission to disclose the Brunei donation, and, without prompting, went back to the committee to tell the full story.

## U.S., Bolivia in Joint Exercises

### No Anti-Drug Operations Planned This Time, Officials Say

By Tyler Bridges  
Washington Post Service

LA PAZ — U.S. and Bolivian troops began joint maneuvers Monday in a region where drug officials say there are many cocaine-processing laboratories.

A U.S. Embassy spokesman, Mark Jacobs, denied local reports that the 300 troops from the Southern Command, which is based in Panama, came to Bolivia to take part in raids against cocaine traffickers.

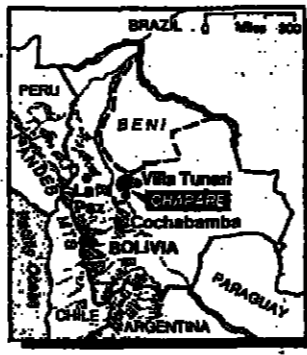
"There's no connection between these exercises and any drug interdiction effort," he said.

Other sources said the U.S. troops were in the area to frighten drug traffickers.

"It's no coincidence where they've chosen to hold the maneuvers," a diplomat said.

The joint maneuvers are scheduled for 11 days in the northwestern provinces of Beni and La Paz. They have drawn intense scrutiny because 160 U.S. troops backed by six helicopters spent three months in Beni last year helping Bolivian police conduct drug raids.

The operations provoked strong protests by the country's leftist political parties, which considered them a violation of sovereignty. The raids also caused prices for



Map showing the location of Beni and La Paz in Bolivia.

coca leaves to plummet as drug traffickers fled, leaving coca farmers with no-one to buy their leaves. But prices have rebounded, said Colonel Freddy Reyes, who heads Bolivia's anti-drug police.

To renew the fight against the flourishing cocaine trade, the United States and Bolivia are negotiating a program that Information Minister Herman Antelo said "will substantially reduce" trafficking.

Bolivia is second only to Peru as a supplier of cocaine to the United States. The agreement is said to foresee a three-year program costing \$300 million, paid for mostly by the United States.

The program calls for destroying cocaine laboratories, eradicating

coca bushes and helping farmers develop non-drug crops.

The two countries signed a broad outline of the agreement on Feb. 24. Since then they have been arguing over how much aid the United States will give farmers who voluntarily eradicate their coca.

Mr. Antelo said the two countries have agreed that farmers should receive \$300 for every acre (four-tenths of a hectare) that they eradicate.

Bolivia has asked the United States to finance the entire amount, while U.S. officials have said the Congress will not agree to spend that much, Mr. Antelo said.

Coca farming is legal in Bolivia, but the National Congress in La Paz is expected to approve legislation in August outlawing it except in traditional growing areas.

Bolivians have chewed coca leaves for centuries to ward off hunger and cold. They have been planting coca to be processed into cocaine only in the past 15 years to meet the rising U.S. drug demand.

The legislation would prohibit coca growing in the Chapare, a small region that Colonel Reyes said produces two-thirds of the country's 60,000 acres of coca.

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## Outbreak of Legionnaires' Disease Strikes 200 at Soviet Rubber Factory

The Associated Press

MOSCOW — More than 200 workers at a rubber factory in southern Russia were stricken with Legionnaires' disease, which doctors had thought might be an outbreak of AIDS, the official daily newspaper Izvestia has reported.

Most of those who fell ill in Armar, a city of about 100,000 people in the northern Caucasus Mountains, are back at work although under medical observation,

the paper reported. But it did not say when the outbreak occurred or indicate whether any of the workers had died from the disease or how many still were hospitalized.

Legionnaires' disease, a form of pneumonia contracted from breathing in bacteria from contaminated water, is often fatal. AIDS, or acquired immune deficiency syndrome, is a viral disease that leads to death, sometimes by pneumonia, through a breakdown of the body's immune system.



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## Help for Brazil's Poorest Poor

### Job Program Aids a Lucky Few Impoverished Teens

By Alan Riding  
New York Times Service

RIO DE JANEIRO — For two months earlier this year, Brazil's fantasy world of television soap operas and slick advertising was briefly interrupted each evening by cheaply made public service messages in which nervous black teenagers from a government welfare agency asked viewers to give them a chance to work.

"They were disturbing ads, the kind that really make you think," said Cristina Miglioli, who runs a delicatessen in the Copacabana district of Rio de Janeiro. "People have to do their bit if things are ever going to get better here. We needed a delivery boy so we decided to take a chance."

A few weeks later, she hired Thomaz Alcantara, a wide-eyed, slightly built youth. He was abandoned by his mother when he was a month old and has spent the 17 years of his life in government orphanages, preparing for what seemed certain to be a life of hardship and unemployment on the margins of society.

Under the experimental employment program sponsored by the Foundation for the Welfare of Minors, referred to by its Portuguese acronym, Funabem, Thomaz and 300 other teen-age boys have found jobs as a result of the television campaign. They now at least stand a chance of supporting themselves when they are thrust into the world at the age of 18 by the agency.

They are among the lucky few. Nationwide, some 550,000 minors are wards of the state. Even though they are often given vocational training in carpentry, graphics or mechanics, the fact that Funabem runs reform schools for juvenile delinquents as well as boarding schools for needy children means that many companies are reluctant to hire them.

"Those who have the social con-

science to call us up still usually ask first, 'Are they delinquents?'" said Angela Maria Vidal, who visits companies interested in taking part in the new program. "In fact, only about 5 percent of all Funabem children have committed any crime, but they all carry that stigma."

Yet even Funabem's wards, who are fed, clothed and educated until they are 18, might be considered fortunate compared with the estimated 36 million Brazilian children

**'A child who is small, black and poor is by definition thought to be dangerous.'**

— Marina Bandeira, Welfare official

whom the government describes as "needy." Of these, around 7 million have lost all or most ties to their families and live or work on the streets of São Paulo, Rio de Janeiro and other large cities.

They too suffer from the stigma that links street children and street crime in the minds of many middle-class Brazilians. And since most poor Brazilians are black and most blacks here are poor, they are also victims of racial prejudice.

"A child who is small, black and poor is by definition thought to be dangerous," said Marina Bandeira, the president of Funabem, noting that over 90 percent of the children in the care of her agency are black. "The child then becomes 'the problem' when the real problem is the social structure that exists in Brazil."

Forty-seven percent of Brazilian schoolchildren never go beyond first grade, and millions of preteens are expected to work to help sustain single-parent families. In the countryside, children pick the crops, but they are most visible in the major cities, where they gather to wash cars, clean shoes, sell fruit or steal.

Rather than trying to deal with the problem of needy children by building more and bigger welfare institutions, however, Brazil's new civilian government has decided to address their main concern — their need to work.

"A child is much more likely to be accepted by his family if he contributes something," said Flavio Ramazzini, who is in charge of Funabem's employment program.

Because Brazil's Constitution prohibits children under the age of 12 from working, the hundreds of thousands of working preteen girls and boys fall outside the scope of the government's plans.

In the past, companies were reluctant to hire unskilled teen-agers because the law required that they be paid as adults.

Last December, though, President José Sarney signed a decree that, once backed by legislation to put it into effect, will oblige all companies to hire minors on a quota set in proportion to their total staff. As an incentive, companies will be allowed to pay them half the minimum wage for half a day's work and will not be required to make social security contributions.

The positive response from companies in Rio de Janeiro to Funabem's "Hire a Minor" experiment has encouraged officials to extend the program to other states.

"We've been overwhelmed by the demand, which has forced us to organize ourselves properly," Mr. Ramazzini said. "Now we're also able to serve as an employment bureau for youths who are not from Funabem."

## U. S. Presses West to Speed Building of Oil Stockpiles

The Associated Press

PARIS — U.S. Energy Secretary John S. Herrington, citing the risk of a future oil-supply crisis, called on other Western industrialized nations Monday to move faster in building emergency oil stockpiles.

His urging was countered, however, by some European officials, who said more emphasis should be placed on cutting oil demand and improving energy efficiency.

Mr. Herrington said President Ronald Reagan was committed to a more rapid buildup of U.S. emergency stocks, but that some other Western countries were lagging behind.

"A credible strategic oil stockpile serves as a deterrent to those who might be tempted to use oil as a political weapon," Mr. Herrington told energy ministers from the 21 other members of the International Energy Agency.

The ministers met to discuss a wide range of energy issues, including the longer-term effects of the 1986 oil price collapse on Western energy security.

No major new initiatives were expected. Mr. Herrington said that while the countries as a group were meet-

ing the agency's goal of holding oil stocks equal to at least 90 days of domestic consumption, some nations were falling short. He did not mention any countries by name, but Britain and France are believed to be among a small number of members that fall well below the 90-day figure.

Nicolas Mosar, the energy commissioner of the European Community, told the meeting that too much emphasis was being placed on building oil reserves for use in an emergency and too little on cutting oil demand.

"The more relaxed energy situation we have today is largely as a result of our ability to curb our demand for oil," he said, adding that it would be through this continued active pursuit "we can hope to avoid ever having to use our stocks in a fuel crisis."

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John H. ...



# For Anglican Church, Time of Empty Pews

By Francis X. Clines  
New York Times Service

FERRYHILL, England — As usual, the Church of England's attendance this bright spring Sunday morning was somewhere below 3 percent of the population, anemically, alarmingly low in the view of the bishop of Durham, who presided from the pulpit of St. Luke's Church.

"All nations know His church is hearth and home," the congregation sang out strong here in the rustic North, vying with the singing of birds and the cry of a handsome newborn baby.

For this nation, such heart-comforting knowledge of church has been slipping relentlessly for the last three decades, in which nearly 2,000 of the 16,000 Anglican churches have been closed because of disuse. Attendance has fallen to among the lowest of avowedly Christian countries.

"The Church of England is large-

ly in the position of a historical hangover," said the bishop. David E. Jenkins, sipping tea after officiating at some of the church's ever more precious baptism and confirmation services.

"It is not now the case that England is a Christian country," he

**With only 3 percent of the people regularly attending the Anglican Church, 'It is not now the case that England is a Christian country.'**

— Bishop David E. Jenkins

said. He pointed to the attendance figures and rather gently predicted that some day disestablishment will prove inevitable — that the history of Henry VIII will be unraveled and church and state will once more become separate.

This was a typically bold, contentious observation from Bishop Jenkins, who is one of the most outspoken clerics in the church and whose views are often headlined as controversial in the press.

But it seems surprising that the views of any churchman could ever much rattle a public in which 97 out of 100 do not bother with the established church, except perhaps at Easter and Christmas.

In contrast to the old bromide that the Church of England was the

Tory Party at prayer, the current joke is that it has become "the Alliance party in the wilderness" — what critics depict as a blurred, centrist, amorphous enterprise.

Actually, the church of recent years has seemed far more direct than that in the area of social is-

Christ, saying Jesus's divinity was not dependent on their literal truth. But others will never forget a dramatic speech he made last year before the church synod. In it, he defended his position by warning that people have trouble comprehending the simplistic notion of a selective, miracle-working, "laser beam" God who failed to prevent the Holocaust catastrophe.

Here, however, in the vibrant northern country poised between palette-perfect hills and depressed old mining communities, the bishop, who is 62, seems more a harassed church manager in hard times than a quotable iconoclast.

"I'm still at it," he said of his 33 years in the clergy.

The diocese of Durham has come a long way from medieval times when its bishop ruled as absolute church and secular master by dint of doctrine, battle sword and prison dungeons. Church files now are kept in the dungeons at Auckland Castle, the 75-room fortress where the bishop resides, and Bishop Jenkins only vaguely recalls where his battle sword is.

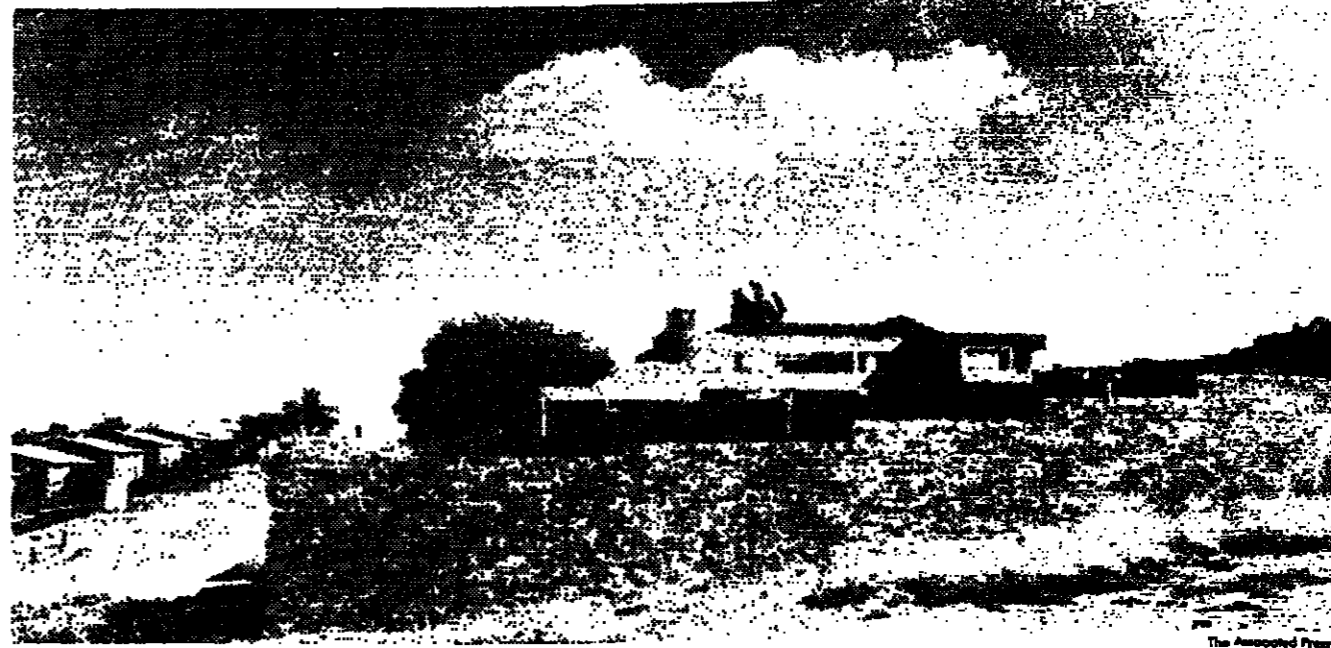
More relevant to his needs are how to plan for the drastically shifting church when his staff of two assistant bishops and two archdeacons are overworked by the daily task of stretching 298 clergymen across the diocese's 308 churches.

"Management is foreign to the church," he said, describing a fatalistic sort of establishment fatalism. "The Church of England is simply there to exist."

MONDAY	DEPART LONDON 1930	ARRIVE TOKYO 1510
TUESDAY	DEPART LONDON 1930	ARRIVE TOKYO 1510
WEDNESDAY	DEPART LONDON 1930	ARRIVE TOKYO 1510
FRIDAY	DEPART PARIS 2040	ARRIVE TOKYO 1525
SATURDAY	DEPART LONDON 1930	ARRIVE TOKYO 1510
SUNDAY	DEPART PARIS 2040	ARRIVE TOKYO 1525
SCHEDULE EFFECTIVE FROM JUNE 1st. EVENING DEPARTURE		
TIMES ALLOW EASY CONNECTIONS FROM OTHER EUROPEAN CITIES		

## ETA Attacks French Firm

URRECHU, Spain — A police robot detonated a bomb left outside a showroom displaying French cars in this Basque town Monday, the police said. They said the separatist guerrilla group ETA, for Basque Homeland and Liberty, claimed responsibility for the attack on a Talbot showroom. The explosion broke the eardrum of a woman who lived in the building.



Winnie Mandela is defending her right to build this two-story home in Soweto, the black township near Johannesburg.

# Winnie Mandela Building Luxury Home

By William Claiborne  
Washington Post Service

JOHANNESBURG — Winnie Mandela, the anti-apartheid activist and wife of the imprisoned nationalist leader, Nelson Mandela, is being criticized for building a large home for herself in the black township of Soweto.

The five-bedroom, two-story house, which reportedly will have a swimming pool and elaborate gardens, is nearing completion on a large lot near thousands of tiny two- and three-room matchbox houses of the kind that most of Soweto's 2.5 million blacks occupy. The leftist Johannesburg magazine, Frontline, describing Mrs. Mandela as "the new royalty," said, "Some say it is right that the

future president should live so, and others say that it wrong for leaders who represent the poor to live like kings."

It added that Sowetans "ask whether this is to be a State House, or in whose name is it owned? They ask where is the money coming from?"

Mrs. Mandela said that she is building the house with royalties from her biography, "Part of My Soul Went With Him," which is banned in South Africa, and with money from a trust fund set up by friends.

Mrs. Mandela, in her statement, reacted to the press criticism by saying that "enemies of the people" are attempting to divide blacks.

She added, "There are concerned fellow South Africans who believe that our leaders deserve even better than what I have done for Mandela. They formed a trust which has built Mandela's house."

The Johannesburg Star, describing the new house as "fit for a queen," gave a room-by-room description of five upstairs bedrooms with attached bathrooms, a family room, living room, conference room, dining room, two studies and two-car garage.

The price has not been disclosed.

The new house is situated in a relatively upscale section of Soweto called Beverly Hills, not far from the small brick house where Mrs. Mandela now lives with her youngest daughter, Zinza.

Blacks are not allowed to own property in the townships, but if they can afford it, they may build their own houses on property obtained through a 99-year lease.

In addition to the small Beverly Hills neighborhood, Soweto has a section called Protea North in which scores of well-to-do blacks are building houses costing more than \$100,000. Some of the owners are black entrepreneurs and others executives working for companies with affirmative action programs.

It is not uncommon to see Mercedes-Benz sedans parked in front, and the children frequently attend integrated private schools in the white suburbs of northern Johannesburg or private schools abroad.

However, the majority of Soweto houses consist of two or three small rooms crowded with extended families of 12 or more people, with outdoor toilets and only fairly recent electric service. Rent is about \$20 a month, and utilities add another \$30 monthly.

## Graham Greene Says He Visited Philby in Moscow

The Associated Press

LONDON — Graham Greene, the British novelist, has been quoted as saying he has exchanged letters and met in Moscow with Harold (Kim) Philby, the former British intelligence officer who spied for the Soviet Union for 30 years.

Asked if he could forgive his old friend for "having lived such a lie," Mr. Greene told the British press he could, because Mr. Philby had been fighting for a cause he believed in.

"He wasn't doing it for money," Mr. Greene said. "And as for living a lie, how many lies is Reagan living? Who doesn't live a lie when it comes to politics?"

He knew Mr. Philby from World War II when he did intelligence work in Sierra Leone and Mr. Philby was his controller in London.

Mr. Philby, who at one point headed Britain's anti-Soviet intelligence operation, left the British intelligence service in 1955. He then worked as a journalist and continued his spying until he fled to Moscow in 1963.

Mr. Greene, who wrote an introduction to Mr. Philby's 1968 autobiography, "My Secret War," said he began to correspond with him in the late 1960s. He said he met Mr. Philby, 75, in his Moscow apartment in September while



Harold (Kim) Philby

visiting the Soviet Union at the invitation of the Soviet Writers Union.

The author, 82, returned to Moscow in February for a disarmament conference and met Mr. Philby again. Mr. Greene said Mr. Philby was in "good shape" at their second meeting, having recovered from an illness for which he had been hospitalized. He did not say what the illness was.

## Emmanuel Vitria Dies; 1968 Heart Recipient

Reuters

MARSEILLE — Emmanuel Vitria, who lived a record 18 years with the heart of another man, died Monday at age 67.

He died two weeks after he was admitted to a hospital in Marseille with dilation of the heart's ventricular arteries.

On Nov. 27, 1968, Mr. Vitria received the heart of a 20-year-old sailor, Pierre Ponson, who was killed in a road accident.

He told an interviewer in 1975: "I get an extra thrill out of everything I do. I am the happiest man in the world."

He became the longest-surviving heart transplant patient in 1977 when an American woman who had been operated on a month before him died of a heart attack.

Mr. Vitria, a fast-talking, jaunty man, ignored his doctors' recommendations to give up smoking and drinking. But out of respect for the donor's parents, he turned down a large cash offer to smoke a cigarette in a television advertisement.

Dr. Christian Barnard, the South African surgeon who pioneered heart transplants in 1967, once met Mr. Vitria and expressed astonishment at his lifestyle, which included a daily intake of alcohol and an appetite for rich food.

Mr. Vitria's doctor, Dr. Raul Monties, said Mr. Vitria's endurance was an important and encouraging development for cardiac surgery and the donation of body organs.



Emmanuel Vitria

"He was the first to show it is possible to live for such a length of time with someone else's heart," Dr. Monties said.

Mr. Vitria had suffered illnesses, unrelated to his transplant, before he was hospitalized last month.

In 1981 he tripped over a paint can, fell down two flights of stairs and broke an arm and a leg. He was operated on, and his donor heart bore the strain of an operation under anesthesia. He left the hospital after 42 days.

The only time he ever admitted to heart strain was when he went to watch his favorite team, Olympique Marseille, play soccer. "It really gives me heartache when they play badly," he said.

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Gil Evans: Still out there, making modern music.

## Lone Arranger's European Tour

By Mike Zwerin  
*International Herald Tribune*

PARIS—Gil Evans helped create the big band sound of the '40s and continues to create it today. He has been called "The Lone Arranger," "Duke Ellington's son" and his name's apt anagram "Sven-gali." Evans is celebrating his 75th birthday tomorrow by beginning a European tour at the Hammer-smith Odeon in London, with Van Morrison, Steve Lacy, Flora Purim and Airto Moreira as guests.

His 15-piece band has been a Monday fixture in New York's Sweet Basil for more than four years. Although the club is small and the pay minimal, regular members have included such stars as John Abercrombie, John Scofield, Jon Faddis, Jaco Pastorius, George Adams, Hiram Bullock, David Sanborn and, last month, the Police star Sting singing "Angel," "Stooge Free" and other Jimi Hendrix material in the band's library.

The music depends on who shows up, and Evans may not know who until they arrive. Like Ellington, Evans is a casting director more than a disciplinarian—he affects the music by his presence. He chooses musicians for their flaws as well as attributes. Once there is mutual trust, they are more or less let loose.

"We don't even need written music anymore," Evans told *Down Beat* magazine. "Hiram [Bullock]

or I strike a chord and away we'll go, improvising ensembles and everything for 10 or 15 minutes. I tell the players not to be terrified by the vagueness. If it looks like we're teetering on the edge of formlessness, somebody's going to be so panicked that they'll do something about it. I depend on that. If it has to be me, I'll do it, but I'll wait and wait because I want somebody else to do it. I want to bear what's going to happen."

The first thing you notice about him are his big ears, like radar dishes. The stone-gray hair frames a craggy face that somehow defies chronological age. Evans, who once called convenience "the worst addiction in the world," personifies the dictum: "Insecurity is the secret of eternal youth."

Born in Toronto on May 13, 1912, he moved to Southern California, where he worked as a pianist and learned the arranger's craft. He led his own band in Balboa from 1936 to 1939 and remained as arranger when Skinny Ennis took it over to play the Bob Hope radio show.

In 1941 he went to New York to write for the Claude Thornhill orchestra, which won two successive Billboard polls in the "sweet band" category. Debussy flirted with Charlie Parker on Evans's version of "Yardbird Suite" (featuring Lee Konitz). As Evans describes it, "Everything—melody, harmony,

rhythm—was moving at minimum speed. Everything was lowered to create a sound, and nothing was to be used to distract from that sound. The sound hung like a cloud."

The sound matured when Evans became musical director of the historic Miles Davis "Birth of the Cool" nonet in 1948. In the '50s it evolved into "Porgy and Bess" and "Sketches of Spain," featuring Davis, Evans's only hit records. On a series of classic big band albums like "Out of the Cool" and "Priestess" in the '60s and '70s, "Sven-gali" transmuted Jelly Roll Morton's "King Porter Stomp," Bix Beiderbecke's "Davenport Blues," Dizzy Gillespie's "Manteca," Kurt Well's "Bibabo" and John Benson Brooks's "Where Flamingoes Fly" into hanging clouds of sound. The clouds flew into electric storms in 1974 when he explored the synphonic implications of rock on the album "Gil Evans Plays Jimi Hendrix."

But a sound cannot be copyrighted and although his was widely reproduced in film music (James Bond movies, for example), commercial jingles and by other bands, Evans basically lived from his U.S. Social Security check for years. He once admitted that his New York senior citizen's public transportation pass came in handy. More recent recognition has included a National Endowment for the Arts grant and soundtracks for "Absolute Beginners" and "The Color of

Money," but still, his 75th birthday tour is of Europe not the United States, and it is a Frenchman who is writing the first biography of Evans. Laurent Cuguy, a bandleader and arranger, who plans to finish his book next year, calls him "an angel. I can't think of a better word. He talked to me for hours about hundreds of musicians and he hasn't a bad word to say about any of them. I never heard a musician say anything bad about Gil."

"The only people he's had problems with are record producers. He calls them greedy and they accuse him of being an inefficient perfectionist. Ironically, his music is rarely perfectly executed. Like Ellington's, it does not require 'perfection.' When he tells you about his life, you begin to see he's always been a victim of the system. For example, he received no royalties for "Sketches of Spain." He wanted to record with Louis Armstrong, whom he worshipped, but it never happened. And Jimi Hendrix's death ended discussions for a joint project.

"Gil keeps talking about all the things he couldn't do, but when you step back and look at his life you realize that he has somehow overcome everything. He is not a loser but the ultimate winner. He's still out there making modern music."

*Gil Evans tour: Britain, May 13-16; France, West Germany, Norway and Switzerland, May 18-30.*

## Lacroix: A Parisian in Dallas

NEW YORK—Christian Lacroix, the new couture designer on the Paris scene, has not shown a collection yet, but he is being courted right and left by the American retailing industry.

During a recent 10-day trip across the United States, he was wined and dined by all the major specialty stores and shops, including Saks Fifth Avenue, Bloomingdale's, Bergdorf Goodman, Neiman-Marcus, I. Magnin, Barney's

and Martha. "They haven't seen a thing yet," Lacroix marveled, "and they all want to sign me up." Besides the restricted, elitist couture collection to be shown in July in Paris, where he has opened up in a town house in Rue du Faubourg Saint-Honore, he will offer two lines: a pre-couture and a ready-to-wear. Pre-couture will be a special, deluxe range. "It corresponds to the American mentality and fits within their price range," he said. "All the clothes will be made in Paris, and the stores are most excited about this line."

Lacroix will show pre-couture in September and ready-to-wear with the rest of the Paris pack in October. Haute couture prices will start at 25,000 francs (a little over \$4,000); and pre-couture's prices will start at around \$2,000. However, the ready-to-wear will be much more affordable, with nothing over 3,500 francs (\$600).

Pre-couture will be closely tied to couture "both in spirit and shape. It will be both traditional and luxurious. Ready-to-wear will follow the technique of mass production," he added. "It will be simple with pretty fabrics and colors but not too serious."

Lacroix was traveling with his business partner and image maker



Lacroix goes west for "a little bit of show-off."

Jean-Jacques Picart, and the company's manager, Paul Audrain. Both Lacroix and Picart had been in New York and Los Angeles before, but they had never been to Dallas, Houston or San Francisco. Before they started, it was clear they were not aware of the enormous scale of the market, but after thinking they could "do" Dallas in one day, they quickly caught on. In their meandering, they took in Jimmy's a boutique in Brooklyn "which sells Gaubier, Montana and Ungaro. It's unbelievable, this eclectic choice in a boutique lost in the middle of Brooklyn," Picart said.

"We learned a lot already," Lacroix said. "We asked all these retailers their reaction to European exports, and, chiefly, who does the best job at manufacturing and distributing."

The team hit on a vital point. Even the best European collection

means nothing if it is not made right and delivered in time to the American market. American stores have a strict delivery schedule, because after certain dates, they know that women won't buy any more. "The ideal would be for us to have our own production and delivery system, like Chanel," Picart said, "but it's still too early in the game."

Lacroix was looking closely at GFT (Gruppo Finanziario Tessile), an Italian manufacturer who has done a superb job with Valentino, Ungaro and Armani and recently signed up Montana. "But they just took over Montana and Dior," Picart said, "so they may be overworked as it is." Their next choice would be the Girombelli group, which produces its own successful lines, Genny and Byblos. However, its handling of the Claude Montana collection, with which they severed ties recently, was not a success.

There will be special collections

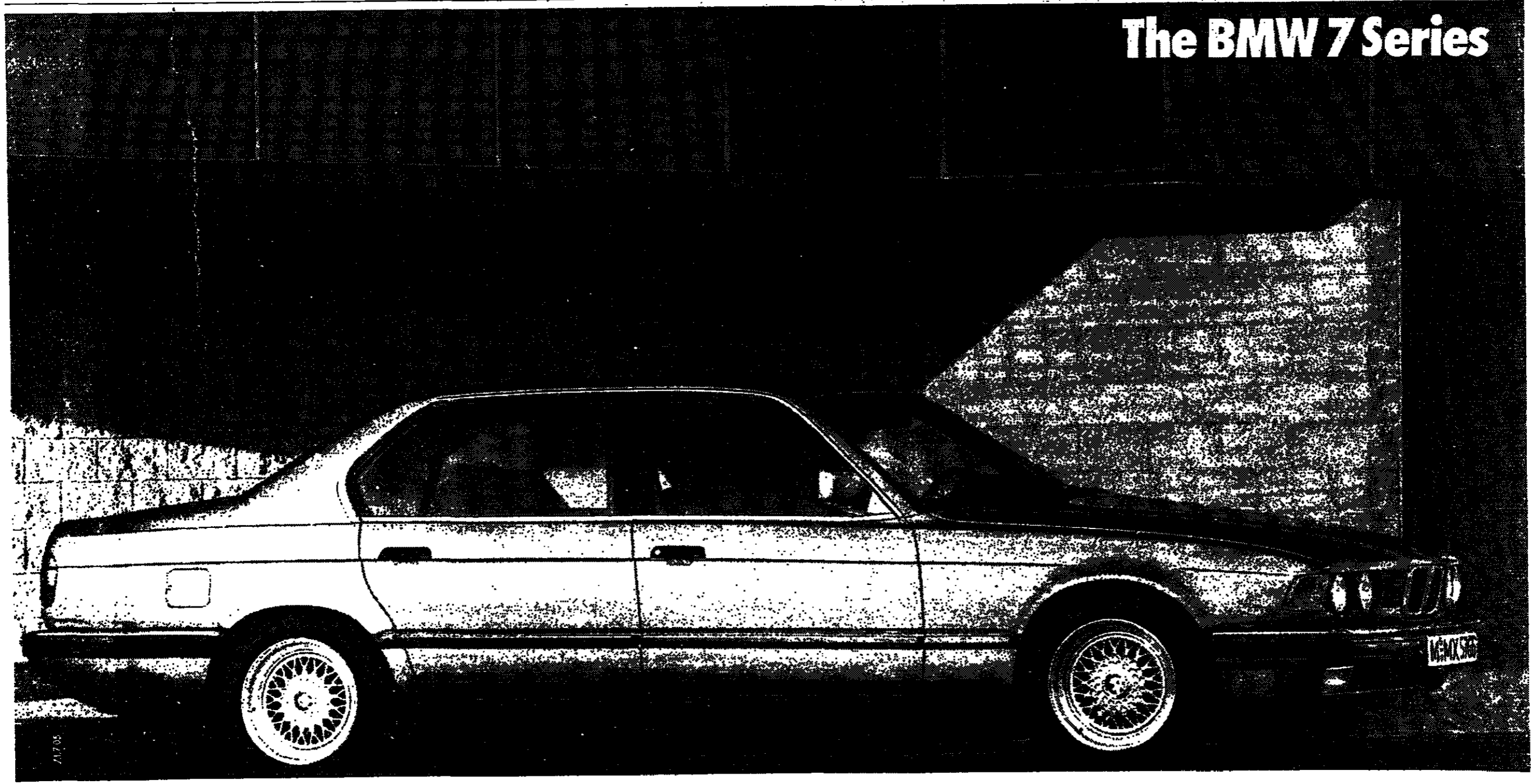
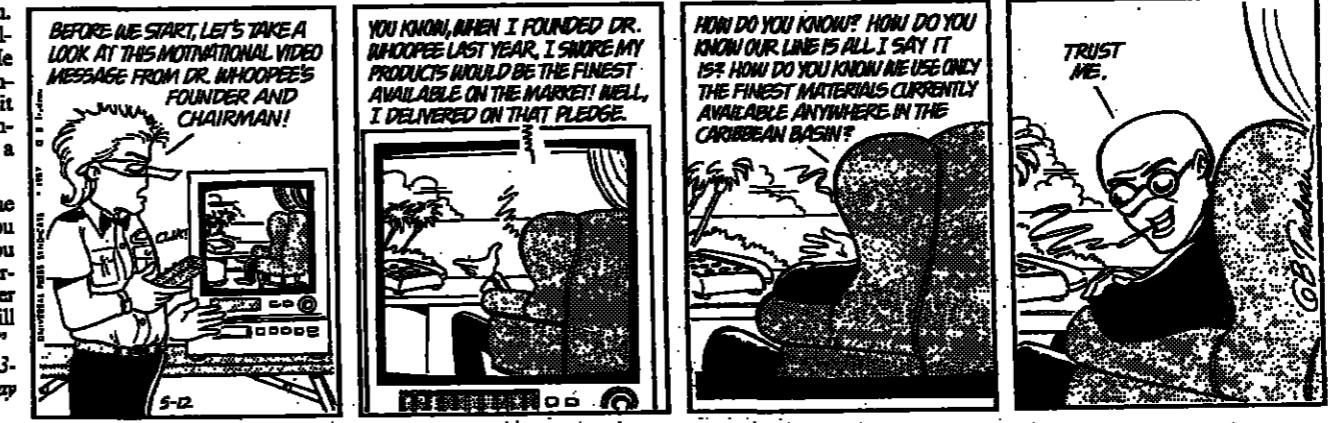
for different stores, according to Lacroix. One of their most exciting contacts was the specialty shop Martha, which with boutiques in New York and Palm Beach and Bal Harbour, Florida, makes a killing at the luxury level. "We'll make an exclusive, very expensive, embroidered collection just for her, because she has the clientele," Picart said.

Running around American stores, Lacroix and partners, who often sounded like innocents abroad, also discovered that "American ready-to-wear is excellent. We've seen wonderful cotton clothes—easy, casual. Americans have the sensibility for making practical, unpretentious, uncomplicated clothes. The Calvin Klein's couture for Bergdorf is fantastic. At Martha, Bill Blass's collection is superb, with terrific embroidered skirts," Lacroix said. He also found out that, unlike European collections, which often seem to operate in the dark, American collections are remarkably on target. "You see immediately who is going to wear what," he said.

At the end of his trip, Lacroix was impressed by American kindness. "We've been regally entertained," he said. Professionally, he learned that he will have to work "American—just like Bill Blass or Oscar de la Renta. This means not only in deliveries but style as well."

He noted that the West Coast is far more colorful and flowery than the East. "Ungaro is a landslide here," he said. He also discovered that the American market needs a lot of cocktail and evening wear "because Americans go out a lot. There is a very dressy, very champagne side to American fashion, a little bit of show-off to which we're not used over here. This will be wonderful for me because that's just what I love," said the designer who put the pouf on the map.

### DOONESBURY



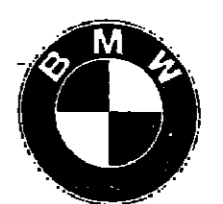
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Toward a Conference

An international conference on peace in the Middle East? Suddenly one looks possible. Preparatory consultations, moreover, have trimmed some of the inherent big risks.

The idea could yet be stillborn in Israel, whose two governing parties are in conflict on it. Likud has a fundamental resistance to entering any process that would get in the way of annexing the West Bank, as any serious initiative must.

More Aid, Less Control

The Reagan administration is undermining two international agencies which between them provide almost one-quarter of the multilateral aid for Third World countries.

Bank, but has now withdrawn its offer. Explanation? The Latin members will not give Washington effective veto power over all loans. In the Asian bank, the United States is wrestling with the Japanese.

A Budget Compromise

Early in the year the White House said it would not deal on the budget until the Democrats declared themselves and confessed what they were for, instead of merely saying what they were against.

The House would let it rise with inflation and pay for the increase by shifting around about \$7 billion in rural electric co-op loans. Our sense is that the House defense budget is a little tight, the Senate plan a little more generous than the government can currently afford.

Other Comment

Bad News From South Africa

The South African election result comes as no source of comfort for the Republic itself or for the region as a whole. The surge of support for the far right deals a severe blow to the slim hopes that the ruling National Party would revive the stalled reform process.

Mideast: A Time for Caution

For a decade, America has been dominant in the Middle East, while the Soviet Union has been struggling to hold on to what allies it had. That situation is changing, and changing at a time when the ultimate prize of access to the vast oil reserves of the region is becoming of increasing strategic importance because of the diminution of Russia's own

The Environment Is About All the People

OPINION

An Accord For Europe To Cheer

LONDON — As one who came to the World Commission on Environment and Development from a "development" background, I started with reservations about the environmental movement. It had emerged essentially from post-industrial societies.

By Shridath S. Ramphal

The writer is secretary-general of the Commonwealth.

are disastrous. Deforestation, desertification, soil erosion and the growing number of the hungry and destitute — these are the consequences. Poverty is both a cause and an effect of environmental degradation.

But one must not move from that insight into imagining that the developing world is the main source of global pollution. There are extensive environmental problems in developed countries, resulting from the use of chemicals in agriculture, from the consumption of nuclear and fossil fuels and from industrial pollution.

If Sustainable Progress Is to Be Achieved

FIRST and foremost, this Commission has been concerned with people — of all countries and all walks of life. And it is to people that we address our report. The changes in human attitudes that we call for depend on a vast campaign of education, debate and public participation.

From "Our Common Future," the report of the World Commission on Environment and Development chaired by Prime Minister Gro Harlem Brundtland of Norway. The report, which was released on April 27, is to be considered by the United Nations General Assembly in the fall.

biotechnology and materials science are redefining what is possible. There is, of course, a limiting factor, that of "sustainability." This is defined by the commission as "an approach to progress which meets the needs of the present without compromising the ability of future generations to meet their own needs."

The way to sustainable development will require vision and internationalism. These may now be in short supply, but they cannot forever be smothered by disrespect of powerful states for multilateral institutions and rules, by lack of support for international financial institutions, and by reluctance to recognize the global commons — the oceans, Antarctica and space — as a human heritage.

In 1980, the message of the Brundtland Commission was that mutual interest bound rich and poor countries together. The Brundtland Commission gives this message powerful reinforcement in its clear warning that if the world is to save itself from environmental catastrophe, it has to be more serious about ending poverty worldwide.

The writer, a Brundtland Commission member, contributed this comment to the International Herald Tribune.

The World Has Had Millions Like Klaus Barbie

By William Pfaff

PARIS — As it starts up this week in Lyon, the trial of Klaus Barbie is accompanied by apprehensions and expectations equally overrated. Barbie is not up to the morality play which has been mounted about him, nor is he worth the attention accorded him by the world press.

From 1942 to 1944 Barbie was a zealous young policeman who, according to witnesses, took a personal part in torturing his clients. There are a million like him. His superiors noted that he "goes straight to the point and like action."

His trial is supposed to inspire fear among the French that patriotic lies surrounding the wartime Resistance will be exposed, and hidden crimes of collaboration revealed. This is the argument of Barbie's lawyer, Jacques Vergès, who intends to turn the trial around and accuse Barbie's accusers of the hypocrisy of trying him for crimes resembling those committed by French soldiers and officials during the 1954-62 war in Algeria.

things long ago settled, for better or for worse. The Barbie trial is supposed to remind the world of Nazi crimes against humanity, and help ensure that Nazism will never happen again. But has any serious person in the West forgotten Nazi crimes against humanity? And who is so foolish as to think that something like those crimes will never happen again?

The trial of Adolf Eichmann, 26 years ago, was significant because it made people understand that what had happened in Germany between 1932 and 1945 was not a unique eruption of evil from some satanic underworld but was the work of political zealots — some idealists, in their own opinion — served by dutiful clerks, bureaucrats, and by soldiers "only following orders."

But that was more than 40 years ago, and it has already been turned into history. Thanks in part to American historians, in particular Robert Paxton, who wrote the first full account of the Vichy period, the whole story of the French collapse and of French collaboration with Germany has been told — during the last decade, exhaustively told. There can be few surprises left.

People have worried that Barbie will claim that de Gaulle's representative to the Resistance, Jean Moulin, was betrayed to the Gestapo by a comrade. What if he does? This has been suspected for a long time. No one believes the Resistance was without turncoats, cowards — people who simply went to pieces under torture. The salient fact is that there was a Resistance. This trial is about

with his guest how the United States might bolster civilian rule. One way to help would be for the United States to renounce efforts to enlist the Guatemalan military against Mr. Cerezo's wishes — in the effort to overthrow the Sandinistas in Nicaragua. Another would be to revise the U.S. aid program so as to ensure that the effect would be to strengthen civilian institutions.

And perhaps, most important, the United States should speak out unequivocally about the importance of subjecting the armed forces in countries such as Guatemala to the rule of law, like everyone else. The writer is vice chairman of Americas Watch, a human rights organization. He contributed this comment to The New York Times.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

Officers Should Obey the Law, Like Everybody Else

By Aryeh Neier

WASHINGTON — When the president of Guatemala, Marco Vinicio Cerezo, visits the White House this week, President Ronald Reagan is likely to use the occasion to comment on the advances of democratic government in Latin America. Yet this should also be an occasion for attention to the weakness of most of the new democracies in dealing with their own armed forces.

The clearest indication of that weakness has been their inability — Argentina is the exception — to prosecute members of the armed forces for even the most appalling crimes

against their own citizens. The case of President Cerezo, who was elected after 32 years of military rule in Guatemala, is the most dramatic. Four days before he took office on Jan. 14, 1986, the armed forces promulgated an amnesty, forgiving themselves for the thousands of murders they had committed under the last two military governments. Mr. Cerezo, whose own commitment to the protection of human rights is beyond question, has gone along.

In El Salvador, José Napoleón Duarte pledged during his presidential campaign in 1984 to investigate and prosecute those responsible for such notorious crimes as the 1980 murder of Archbishop Oscar Arnulfo Romero and the 1983 massacre at Las Hojas. The military officers responsible for what happened at Las Hojas are well known, but no action has been taken against them and they continue to occupy important posts. No formal amnesty has been promulgated in El Salvador, but in practice the Duarte government has been as powerless as the Cerezo government to punish its murderers.

The question of punishing the military for human rights abuses is not even an issue in Brazil, where an amnesty was regarded as part of the price the country paid for a transition to democracy two years ago. On the other hand, it is a major issue in Uruguay, where a campaign is now under way for a national referendum to overturn an amnesty law that was enacted in December. In Peru and Colombia, democracies that face challenges from leftist guerrilla movements, civilian officials have been attempting to prosecute military men for gross crimes, but these efforts have come to naught.

When the example of Argentina is raised elsewhere in Latin America, the standard response is that the prosecutions there were possible because the civilian government took over in 1983 from a military humiliated in the Falklands war. Yet even in Argentina, President Raúl Alfonsín has imposed a time limit on the prosecutions, and his failure to insulate middle-level officers from prosecution provoked rebellions in April at several military garrisons.

One consequence of the inability of most of Latin America's new democracies to prosecute the crimes committed by the military is that such crimes continue in several countries, even if on a reduced scale, under civilian rule. The armed forces in Guatemala remain a law unto themselves. Instead of using the occasion of Mr. Cerezo's visit to celebrate the advances of democracy, it would be helpful if Mr. Reagan would discuss

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: China Loan Near PEKING — The deadlock between the Government and the bankers of the Six Powers has been broken. This result has been brought about by the positive refusal of the Premier, Tang Shao-yi, to consider the bankers' latest proposal that foreign military attaches exercise cooperative control over the disarmament of surplus troops. The bankers recoiled from their original proposal, which they now say was advanced merely as a basis of negotiation. Hsiang, the Minister of Finance, held a long conference on May 11 with the bankers during which the details with respect to the reconstruction loan of \$50,000,000, as well as much needed advances, were fully discussed, and a tentative agreement, subject to the approval of the Cabinet and the Legislative Council, was worked out.

1937: Japan Sees Threat TOKYO — The Japanese Navy is "deeply concerned" over the change in the Far Eastern naval situation caused by Russia's reappearance as a naval power, according to a pamphlet issued by the Navy Ministry. The pamphlet declares that Japan has cast off the "yoke" of the 1921 and 1930 treaties, because they branded Japan as inferior to Great Britain and the United States. It points to the "aggressive economic advance in Asia by the United States and various European nations," the strengthening of British and American Far East naval bases and the reconstruction of the Russian Far Eastern Squadron as reasons compelling Japan to develop her navy to gain control of Oriental waters. The pamphlet concludes: "The position of our Empire in the Orient is one of life and death."

Vigilantes for the Dirty Work?

THE government of President Corazon Aquino has acquired some strange bedfellows in recent months. The military and an influential cabinet minister are actively promoting the formation of right-wing vigilante organizations. As Filipinos vote in the polls on Monday to set the first congress to serve under the new constitution, the polarization caused by the vigilantes was underlining the very center that Mrs. Aquino claims to uphold.

"Any group that fights communism is our friend," one military officer explained to me. But many of these armed civilians have criminal records and show little respect for the rule of law as they zealously assist the military in its pursuit of the Communist-led New People's Army. Mrs. Aquino has called one Mindanao vigilante group a "concrete manifestation of people power." A cabinet minister has threatened to fire local officials who would cooperate in the formation of similar groups.

Just as Benigno Aquino, the president's husband who was assassinated in 1983, was accused of being a Communist by the Marcos regime, many modulates in the provinces now are tarred with the same charges by the vigilantes. The local military commander in Davao said there is "no neutrality." Uncooperative households may have a red "X" painted on their houses by the vigilantes. There have been shifts in the political scene. Many liberal democratic

members of the broad coalition that brought Mrs. Aquino to power last year have been pushed to the margin of the government or ousted under military pressure. Some have resigned. So far, Mrs. Aquino's personal popularity has carried her safely from crisis to crisis. But the longer she rules, the greater the potential for disappointment over unfulfilled expectations. Despite the campaign promises in 1986, there has been no perceptible progress toward agrarian reform. The survival of her government has required her to abandon plans to reform the bloated military inherited from Ferdinand Marcos. When she was threatened by a coup attempt in November, she was rescued not by the popular mobilization that put her into power but by factions of the military. Even those who most fear the dangerous impact of the vigilante policy would admit that in the short term it is successful psychological warfare, forcing the New People's Army out of strongholds in Davao City, parts of Cebu and elsewhere. The military can use the vigilantes to do its dirty work. But the rightward drift is alarming many of the same Filipinos who only last year were rejoicing in the democratic freedoms restored by the ouster of Mr. Marcos. If the government continues to rely on the right in its battle against the left, the center will crumble. Polarization will destroy all hopes for a pluralistic society.

— Paul Hutchcroft, writing in the Hartford Courant.

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OPINION

Gary Hart Ought to Know Who Shot Down Gary Hart

By A.M. Rosenthal

NEW YORK — Gary Hart said he woke up at about 4 A.M. and decided hell, no, he wouldn't just go out quietly but would speak his mind, tell everybody about the dreadful times we are in. He ought to know that those wonderful middle-of-the-night inspirations don't look so good in daylight.

Instead of saying goodbye with a measure of dignity, regret and introspection...

ON MY MIND

tion, Gary Hart told us he had decided that Gary Hart was a wonderful man after all and that everybody was responsible for Gary Hart's political demise except Gary Hart. I like myself, he said, take me or leave me. Blame? Those others out there. He almost managed to make The Miami Herald look good, and it is not his fault that he didn't succeed.

Who was responsible for the Hart disaster? The press! The press kept insisting on examining him and finding out the kind of fellow he was, and this got between Gary and the voters and prevented him from getting his point of view across to the public!

As it happens, I believe that The Miami Herald acted poorly journalistically. It was right going after the story once it received a tip that Mr. Hart was having an affair, this time with a specific young woman who was on her way to his Washington home. The rumors about Hart have been a time bomb ticking away in his campaign, and if he chose to light the fuse, that certainly told something about the front-running candidate of the Democratic Party.

A Reporter Under the Bed

GARY Hart has rewritten the guidelines of political journalism. Until his tragic downfall faded from memory—and that will be a long, long time—every politician from the precinct to the White House will be wondering whether his private life will become a public issue. Politicians who cheat on their income tax, candidates who sniff cocaine or walk around drunk, public officials who cheat on their wives—all must be getting nervous. Can they trust their friends, who tomorrow might be enemies? If the press can linger in the alley behind the townhouse of Gary Hart, what is to keep it from watching the movements of the local school superintendent?

should be competitive, but not to the point of shoving in an important story that could destroy lives, without getting all the facts possible and giving people a decent time to reply. And I felt that The Herald damaged journalistic self-respect by skulking around Mr. Hart's house all night, hiding out in the bushes. An unmarked car or van with spotlights inside is a bush with four wheels.

But along comes Mr. Hart to turn what could have been his finest moment into a spasm of self-pity. He said he was not very good at talking about himself or playing the political game. Really? Then what in heaven's name was he wasting our time for by running for president?

That was bad enough, but then Mr. Hart tried to turn himself into the victim and the press into a criminal.

It is absolutely true that running for president is a strenuous, nerve-wracking process, and that the press often pushes too hard and asks embarrassing and even vulgar questions. It is also absolutely true that Mr. Hart and every other candidate reach their voters through the press, print and electronic. Virtually every important thing they say gets printed or broadcast. Often, over and over, because most politicians say the same thing every day wherever they are.

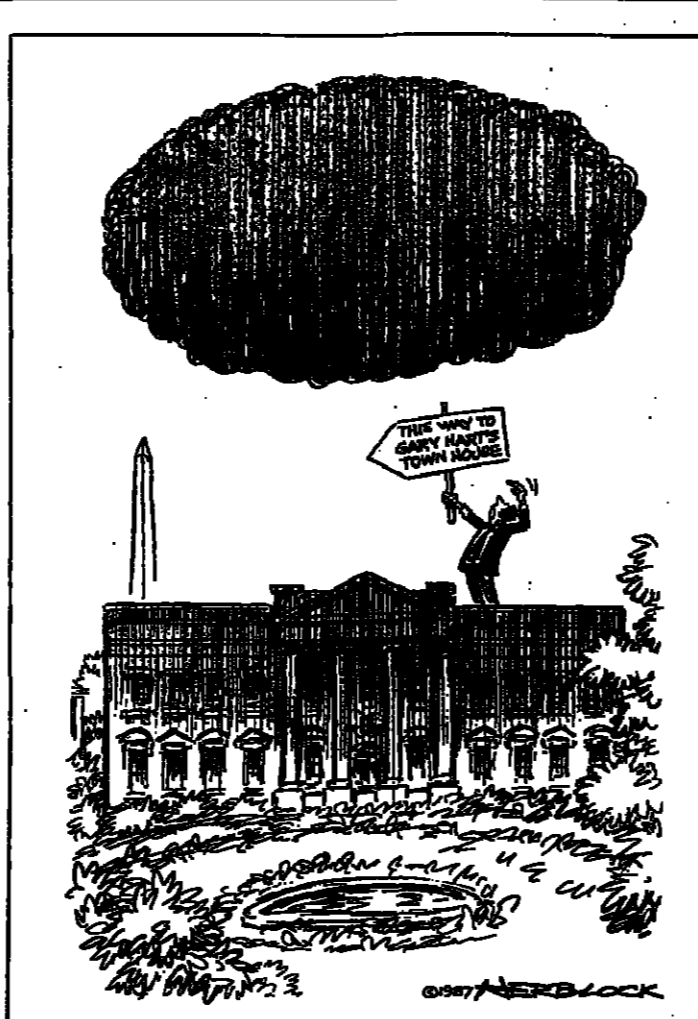
Mr. Hart said not a word, not one blessed word, about what did ruin his career, and the careers and lives of so many political workers who had put their faith in him—not the press, but his own conduct. His very strong wife, said Mr. Hart, was brought close to tears because she could not get into her own house without being harassed.

As a journalist, I am often appalled by the crush of reporters around a public figure. But not as appalled as when I heard a man who wanted to be president talking about his wife's tears without having the courage to say it was he who had brought tears into her life by his behavior. That is what wrecked his future and hers.

It was not Mr. Hart's sexual ethic that was the issue to me. It was a feeling that by taking the risk he had a dangerous longing for the high wire. Now, through his own mouth and mind, he has shown us the sad truth. At best, he never understood himself and what he was doing. At worst, he understood but even at the end had to blame others—never himself.

Yes, as Mr. Hart said, we all have to do some hard thinking about the way we choose presidents. Journalists have to think about whether they should act like snoopers and private eyes even if they have the First Amendment right to do so.

We need leaders who see things clearly, starting with themselves. Mr. Hart showed himself unable to see himself at all. Thus, in the end, Gary Hart disqualified Gary Hart from being president of the United States. He does not know that the tears he sees are caused by himself.



HERB LUBNER

A Manizing Scandal Would Be a Signal

By Ellen Goodman

BOSTON — A self-appointed watchdog of sexist language and literature called this morning in especially high dudgeon. This person, mind you, has made an avocation of catching every missing pronoun. Use the word "he" when you mean "he and she" and this committee of one is ready with the genderless judgment: Get the unisex cuffs.

Today he/she will keep this androgynous said that I was on his/her blacklist. I had blown years of credits by the use of the word "womanize." Even worse, I had written about politicians' penchant for peccadillos in the exclusively he-man vernacular. I had listed the charges against Roosevelt, Eisenhower, John Kennedy, Gary Hart—where are the charges against women?

Not a bad question. But I don't believe that it's a matter of semantics or a sexist plot to discriminate against (in favor of?) women.

There just isn't a good gender-free equivalent for the word "womanizing." Wordsmith William Safire (IHT, May 4) recently went through an entire desk file of alternatives, including "man-eater," before settling on "philanderer"; and suggesting that when a woman runs for the presidency she could say, "I'm not a philanderer." But "philanderer" just doesn't have the same juice.

Maybe, in the end, there is no fitting female verb because there isn't the female activity—at least at the same high-cultural level. The women who historically have garnered reputations for frivolous and varied sexual behavior—Catherine the Great, Elizabeth I—did not have to worry about getting elected.

More recently, the political women who have been damaged by the men in their lives followed more traditional patterns. Bess Myerson's troubles in New York could be traced in part to choosing Mr. Wrong, Peggy Heckler suffered because of a divorce proceeding in which she was pegged as Mrs. Cold. As for Geraldine Ferraro, I give you the words at a recent political roast uttered by

MEANWHILE

Gloria Steinem: "What has the women's movement learned from her candidacy for vice president? Never get married."

Why haven't there been any "manizing" scandals about political women? Theories range from woman's nature to her inureness. Ruth Mandell, of the Center for the American Woman and Politics, says that political women are still in the pioneer stage, and pioneers may be "less willing to take risks in what is already a very sensitive situation. It's not that I've never heard of women having an affair, but they tend to be very, very cautious."

The cliché of "womanizing" she adds, conjures up the image of the older, powerful man and young attractive woman: "He's admiring her for looks; she's admiring him for power." There are very few images in society at large, let alone in rarefied politics, of older, powerful woman and young attractive man. Male power may be the great aphrodisiac to women, but it doesn't seem to work in reverse.

lumbia University, suggests: "Women in general grow up associating sex with danger, long before they even get into politics. We're brought up to understand that we're very vulnerable." Vulnerable in terms of pregnancy, even rape, and certainly in terms of the double standard of society. She also does not believe that many high-status women wish to prove it in the bedroom. "I don't think," she says, "that getting men to submit... is the way most women feel powerful."

I could find no one, not even myself, who would argue in support of the higher morality of women in politics. "I don't want it to seem like women aren't subject to fantasy and temptation," says Ms. Mandell. We may be dealing not only with pioneers but with a first wave who put their personal life on hold—women who had to be twice as virtuous and who have always felt watched.

If that is true, it may just be a matter of time until women catch up. Or catch-down. The gender gap in womanizing—the word and the deed—may come down to numbers. "I think we just have too small a sample," says Kathy Book, of the National Organization for Women's Legal Defense Fund. It is hard to know how women in high office will behave, when she says, "all you have to go on is about 26 people's behavior."

When more women get to high political power, will they be different? Will we have equal ratios of manizers among the crowd? This is the \$64 million question," says Ms. Book, asking with a touch of irony, "Will we know women have made it when we have our first scandal?"

Washington Post Writers Group.

More to Arms Control

Representative Les Aspin argues, in "But Battlefield Nuclear Weapons Should Go First" (April 28), that such weapons are undesirable because they are likely to be used early in a war. However, a powerful deterrent of conventional war is the prospect of its quickly becoming a nuclear one. Mr. Aspin thinks that the objective of arms control is to make nuclear war less likely. Most West Europeans wish to make my war unlikely.

KENNETH N. WALTZ, London.

In response to the report "Reagan Arms Adviser, Contradicting Policy, Cites Missile Pact Flaw" (April 29).

Having heard Edward Rowley express his views in Geneva, I am surprised that he remains a member of President Reagan's arms control team. I doubt that he will support any proposal put forward to enhance the chances for a treaty.

JOHN B. THOMAS, Paris.

What About the Skill Gap?

Lester C. Thurrow's peppy opinion column, "Tomorrow, U.S. Trade in the

Black" (April 24), has appeal: Once the trade deficit is erased, there will be about 4 million more manufacturing jobs, guaranteed by economic arithmetic. Is it time to celebrate? Hardly.

A look around American streets and stores shows foreign-made vehicles everywhere and imported consumer goods from kitchen knives to high-tech gadgets. Be it Henry Ford's production line or the space technology built into a Swatch, American ideas work—and sell—unless they are transformed into products by Americans—who have developed a keen sense of quality over the last decade and seem bound to purchase foreign goods.

At present, the country does not have the industrial expertise to transform good ideas into goods that sell.

There are two solutions: import such skill instead of goods or, better yet, develop it at home, expanding spending on research and development.

JOSEF ERNST, Berlin.

Peace With Whom?

Regarding the report "Jordan Challenges Israel on Peace Talks" (May 3):

All the jockeying over direct "peace talks" between Israel and Jordan either

under or outside the umbrella of an international conference misses a fundamental point. To achieve peace, one must talk with one's enemies, not one's friends. Any effort by Israel and Jordan to settle the fate of the Palestinian people without the participation of those they consider their legitimate representatives would not be a step toward peace but a catalyst for increased violence.

JOHN V. WHITBECK, Paris.

South Africa Isn't a Prison

The editorial page cartoon by Auth (IHT, April 24) is another example of unfairness to South Africa. Instead of the country depicted resembles East Germany, which I visited recently. People there are truly in a prison, from which there is no escape without the risk of being shot at the border. An African is at liberty to return to his homeland if he does not like the way of life in the union.

If one can find any guarded frontiers in South Africa, they are there to prevent an influx of Africans from states to the north, where political and economic conditions continue to deteriorate.

GERHARD MEIER, Geneva.

On the Streets, in Fashion

Regarding the opinion column "Isn't It Time the '60s Came to an End?" (May 2) by Charles Kraushammer:

Why should Americans stop protesting what they believe are iniquitous acts carried out by their government, simply because the decade has changed? Unlike miniskirts or hippie beads, mass demonstrations and civil disobedience need not become outdated. If protest is used to call attention to abuses of power by an agency of the government, then it is always well-timed and relevant.

BRIAN BURT, Wiesbaden, West Germany.

My Garbage, Your Mess

In response to the editorial "Trash Without a Country" (April 30): Did businessman Lowell Harrison think he could get rid of his Northern garbage in the South because the South matters less?

O. PICURI, Kitchberg, Switzerland.

An Island of Rainbows

Since your newspaper is so widely read throughout the world, I must con-

test some of the statements by Mark Kuriansky in his article on Dominica: "A Lush Caribbean Isle" (April 18).

Dominica is not like a South American jungle. It is nature's living museum, offering an incomparable opportunity to experience one of the last spots on Earth where nature is so unspoiled and flourishing in such abundance.

It is an island of rainbows, with mist rising from lush valleys and falling over blue-green peaks. Teams of scientists have come to study its pristine life.

The writer says there is no industry. But we have many industries, such as Dominica Coconut Products, fruit processing industries and light assembly plants. The government provides incentives for industrial development.

The writer refers to the Boiling Lake as a "geyser pool," but this understates its uniqueness. New Zealand has the only other one in the world. Our prime minister, Eugenia Charles, has said: "Dominica does not follow the popular image of a tourist center. But it offers unusual features that could be attractive to the up-market trade."

MCDONALD P. BENJAMIN, Ambassador of Dominica to Italy and the United States. Rome.

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# South Korea's New Turmoil

## IN THE NEWS

### Jan. 20: Minister Quits After Student's Death

The death of a South Korean student during detention leads to the resignation of the interior minister, Kim Chong Hoh. The national police had formally acknowledged that Park Jong Chol, 21, was tortured and died of suffocation during an interrogation. The incident forced the government to admit, for the first time in a political case, that the police had behaved brutally.

### April 8: Two Dissidents Break With Party

South Korea's two most prominent dissidents break with the leading opposition party to form a political party of their own, the Party for Reunification and Democracy. Kim Dae Jung and Kim Young Sam said the action was needed to end the fractiousness within the opposition, which is divided over how to change the constitutional process for selecting a national leader.

### April 13: Chun Halts Talks With Opposition

President Chun Doo Hwan orders an end to discussion with the opposition on writing a new constitution and announces that his successor will be selected this year under the present electoral college system. Any further constitutional talks with the opposition are postponed until after the Olympic Games are held in Seoul in September 1988.

### April 17: Demonstrators Protest Reform Delay

About 3,000 students demonstrate to demand the resignation of President Chun and to protest the delaying of plans for constitutional change. Clashes with police spread throughout the country during further demonstrations on April 28 and May 6.

### April 18: Seoul Sets Economic Measures

Deputy Prime Minister Kim Mahn Je announces a new economic package to wean the economy from a dependency on exports. The measures are announced just before the arrival in Seoul of the U.S. commerce secretary, Malcolm Baldrige.

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The opposition's leading dissidents are increasingly viewed as another symptom of underlying political problems.

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South Korea is taking its place in the global economy even faster than its industrialists and planners had anticipated.

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South Korean companies increasingly appear to be ready to move into Asia.

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South Korea's banking system could be closer to independence.

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The abrupt end of negotiations for a revised constitution has caused deep concern.

## Succession and the Military

# Steps Toward Democracy Fail To Match Economic Progress

By Patrick L. Smith

SEOUL — A year ago, this politically troubled nation seemed alive with the possibility of genuine advancement. President Chun Doo Hwan had cautiously agreed to accept long-awaited constitutional change that would have allowed him to preside over South Korea's first peaceful transfer of power.

The opposition New Korea Democratic Party had won substantial public support for its demand that Mr. Chun's successor be chosen by a direct popular vote. One way or another, political institutions were to triumph over personal ambition and the threat of military intervention.

There were few certainties: The tough politicking that has characterized South Korea's struggle toward democracy had not ceased. But there was an unmistakable hope that it might finally produce a breakthrough after 38 years of near-constant turmoil.

No such optimism now remains. A month ago, the New Korea Democrats collapsed when party moderates proposed a compromise with Mr. Chun, who has insisted on a system of indirect presidential balloting. The president subsequently postponed debate on the constitution until after his successor is chosen, a move seen widely as an opportunistic lurch into a sudden political breach.

Once again, South Koreans have been forced to confront the limits of their political maturity. On both sides, leaders have failed to overcome the traditional Korean inability to compromise, which is based on a view that concessions are an indication of weakness.

More broadly, they must confront the political system's inability to push forward leaders capable of reflecting their achievements. The nation now faces the prospect of another military-backed regime that could remain in power until 1995, engendering little public enthusiasm and a steady level of civil disorder.

"Everything has changed," said Hyun Hong Choo, a senior official of the ruling Democrat-

South Koreans must confront the political system's inability to push forward leaders capable of reflecting their achievements.

Justice Party, in a recent interview. "Everything except our constitution, the one thing we were supposed to change."

Since Mr. Chun came to power seven years ago, following the assassination of President Park Chung Hee in October 1979, his rule has been marked by a high degree of ambition.

Internationally, the president has sought to extend South Korea's diplomatic contacts, thus earning the nation a more prominent place in the world community; at home, the establishment of rule by law and the strengthening of political institutions have ranked high among his professed goals.

In many respects Mr. Chun's term, which expires in February, can be counted a success. The economy has expanded at an average annual rate of nearly 9 percent during his tenure. In a new display of self-confidence, planners have begun to encourage domestic consumption for the first time in the nation's history.

In partnership with Prime Minister Yasuhiro Nakasone of Japan, Mr. Chun has markedly improved the often troubled relationship between Seoul and Tokyo. And he has overseen the flowering of the nation's unofficial ties with China.

As a token of its regional emergence, Seoul has slowly begun to assume a more important security role in northeast Asia as part of a still-unacknowledged strategic alliance with Tokyo and Washington.

Apart from the radical groups that have opposed the Chun regime most strenuously, no one in South Korea wants the summer Olympic Games in September 1988 to be anything less than the national triumph they are intended to be.

The Games, too, are likely to mark a diplomatic success for the present administration, in that China and virtually all Soviet-bloc nations are expected to attend, despite the insistence of North Korea that it co-host the Games.

That is the positive side of the ledger. It has not significantly eased the crisis of legitimacy that Mr. Chun has suffered since his inauguration.

Although Mr. Chun resigned from the military on assuming office, his regime has been marked by a dramatic increase in the political role of the military. The ruling party continues to function chiefly as a political vehicle for Mr. Chun and his military supporters; efforts by some civilian officials to advance the party beyond this role have not succeeded.

Mr. Chun has failed to loosen the firm grip that Mr. Park, his predecessor, gave the executive over the National Assembly. In modified form, he has kept constitutional provisions that weight the control of legislative seats heavily in the ruling party's favor.

Outside of the parliament, Mr. Chun's human rights record has been grim. For much of his term, according to local political sources, the government has held more detainees than Mr. Park at any one time during his rule.

Although Seoul has pulled decisively ahead in its political and economic competition with Poyongyang, this is viewed by many analysts as both a success and a liability, insofar as it increases tension between the two sides.

Continued on page 15



President Chun Doo Hwan

## Learning From Japan's Mistakes in Trading With U.S.

By Stuart Auerbach

WASHINGTON — For years, Japan has been peering warily across the Sea of Japan at South Korea's emergence as an embryonic economic giant first in steel and now challenging the Japanese in U.S. markets with low-cost cars, home electronics products and computers.

These days it is South Korea that is doing the looking, watching the growing trade frictions between Tokyo and Washington and trying to figure out how it can escape the kind of punitive sanctions that the United States imposed on Japan last month.

With 40 percent of its exports landing in the United States, South Korea is especially sensitive to any notion that it is a second Japan, pursuing the same mercantilist, restrictive import policies used so successfully by the Japanese.

At first blush it appears that South Korea is succeeding in learning from Japan's mistakes. It is embarked on a vigorous campaign to open its markets to U.S. products before it becomes a matter of public debate in the United States and a political issue in Congress. It has also gone on a "buy America" push, substituting

STUART AUERBACH is on the staff of The Washington Post.

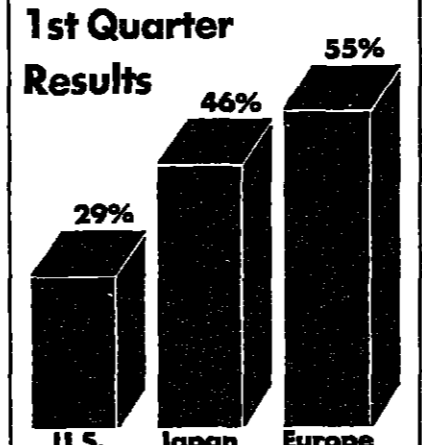
### Changing Market For Exports

Country	% change from '85	% of total in 1986
United States	29.9	39.6
Japan	13.3	14.5
Hong Kong	21.2	5.3
Canada	8.6	3.6
West Germany	41.3	3.4
Others	22.1	33.5

U.S.-made products for those it previously bought from Japan.

Last month, while most of the attention was focused on a possible trade war between the United States and Japan, Seoul bowed to pressure from Commerce Secretary Malcolm Baldrige and agreed to end long-standing barriers to imports of U.S. computers, candy and automotive parts.

Significantly, Japan still maintains protec-



tionist barriers to chocolate imports, and auto parts are the subject of contentious negotiations between the United States and Japan.

The South Korean effort drew praise from Mr. Baldrige, who said on American television that Seoul has been more amenable than Tokyo in responding to U.S. requests that it relax import barriers.

Earlier in April, South Korea announced a tariff reduction program for 83 products, in-

cluding beer, cars, fruits and vegetables, lumber and paper products, to take effect in July.

It remains to be seen whether the South Korean promises will result in more U.S. sales in that fast-growing market. U.S. businessmen working in Seoul have complained that past market-opening initiatives appeared, like Japan's, to have been aimed more at public relations than at substantive changes in its import substitution policy.

"The highly publicized Korean government import liberalization campaign of the last few years has not resulted in any significant increase in imports of products other than raw materials, capital goods and inputs to the export manufacturing sector," said the American Chamber of Commerce in South Korea in a report issued earlier this year.

While these "Amcham" groups usually are reluctant to criticize the host government, the U.S. businessmen in South Korea said firmly that the Seoul government must abandon its basic strategy of import substitution to give U.S. companies a fair shake.

"We urge the administration and members of Congress to continue pressing the Korean government for equitable treatment for U.S. commercial interests in Korea," the group's report said.

"We believe we may very well lose the opportunity to participate in the explosive growth of South Korea's home market that will take place over the next few years if the barriers are not dismantled now."

Nonetheless, South Korea has sailed through the past year on what have become known here as "the three blessings" — low oil prices, low interest rates and the increasing value of the Japanese yen.

With its currency, the won, pegged to the sinking dollar, South Korea has benefited from the dollar-yen fluctuations as its products have become more competitive in both the United States and Japan.

While the yen has grown in value over the past 18 months by more than 40 percent in relation to the dollar, the won has risen just 6 percent against the dollar since the beginning of 1986.

So far, Seoul has been able to fend off pressure from Washington to realign the won, arguing that it needs to build up trade surpluses and keep its currency at present levels to pay off about \$45 billion in external debt.

Once that is done, top South Korean trade officials told the Reagan administration earlier this spring, it will allow the won to float to a level more in keeping with the country's international economic status.

While trying to hold firm on the won, South Korea has embarked on a campaign to keep the United States happy while delivering a blow to its former colonial master, Japan.

Looking at the high value of the yen, which made Japanese products less competitive,

Continued on page 12

# Banque Indosuez in Republic of Korea.

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# Malaise Is Now Touching Dissidents

By Patrick L. Smith

**S**EOUL — Few South Koreans seemed surprised when the opposition New Korea Democratic Party collapsed last month and President Chun Doo Hwan abruptly canceled constitutional talks opened a year earlier.

Opposition parties have dissolved regularly into factional infighting since South Korea embarked on the road to liberal democracy in the early 1950s. Constitutions, particularly the rules they set for national elections, have been the focus of controversy for nearly as long.

But this year's reverses have affected the nation more profoundly than in the past, according to local political analysts, chiefly because popular expectations ran higher than before and because advances in other areas of South Korean life are now so much more apparent.

As elsewhere in East Asia, these analysts suggest, the political process in South Korea can no longer remain the preserve of the national elite, as it has been for most of the postwar period.

For the moment, at least, this prospering nation is politically adrift. Beyond the immediate struggles, many South Koreans have come to recognize, lie fundamental issues that must be addressed before traditional authoritarian rule can be left behind and some form of democracy can take its place.

Even members of the ruling Democratic Justice Party have expressed a deep sense of frustration since Mr. Chun announced on April 13 that constitutional talks would be deferred until after the Seoul Olympics have ended next year. Outside the party, the decision has further detracted from the president's already low level of popularity among voters.

But the opposition's leading dissidents, long accepted as the source of political virtue and the foundation of progress, are increasingly viewed not as an answer to the nation's political grievances so much as another symptom of its underlying political problems.

As Mr. Chun's foremost adversary, Kim Dae Jung continues to command considerable respect among South Koreans, according to independent analysts, chiefly because of the sacrifices he has made since he became politically active in the late 1950s.

But the nation's increasing impatience for political modernization has led many South Koreans to begin questioning Mr. Kim's authority in ways previously reserved for Mr. Chun and his predecessors.

"Neither side any longer seems to offer a real future for us," a leading political scientist in Seoul said recently. "Basically, they are seen in the same way — unwilling to compromise, both clinging to the same authoritarian political methods."

The question now, this source added, is "how different the ruling group and its opponents are, even in terms of ideology."

The constitutional issue on which political debate turned until recently remains of vital concern among South Koreans. Many voters — a majority, some independent analysts believe — continue to hold that direct presiden-



The two dissident leaders — Kim Dae Jung, left, and Kim Young Sam.

'The two Kims' and their followers must now survive in a political environment significantly less sympathetic to them.

tial elections are the only way to assure that national leaders reflect the popular will.

Direct elections and the immediate reopening of constitutional talks are now the basic demands of the Reunification Democratic Party, which was formed by Mr. Chun's principal opponents, Kim Dae Jung and Kim Young Sam, following the demise of the New Korea Democrats.

Nonetheless, "the two Kims" and their followers must now survive in a political environment that is significantly less sympathetic to them, opposition sources acknowledge. Inter-

nally, there is a growing sense of uncertainty as to the course set by the party's leaders.

"What we are trying to accomplish is what needs to be done," said an opposition member of the National Assembly, "but I can't tell you that everything we've done is correct."

Such doubts are common among those in the new party who recognize it chiefly as a political vehicle in the traditional Korean mold. As in most other parties formed over the past four decades, personal allegiances act as substitutes for policy platforms among the Reunification Democrats, reinforcing a tendency to avoid the

compromises inherent in the parliamentary process.

As in the ruling party itself, internal party democracy in the opposition group is virtually nonexistent. Many supporters are now concerned that long-standing rivalries between the followers of the two Kims will threaten the long-term survival of the party, even though its constitution carefully ascribes equal power to both factions.

Outside of Seoul, the opposition duplicates the extreme centralization of the government itself. Just as the ruling party controls all important provincial and local posts through a system of appointments, for instance, opposition legislators are assigned to voting districts by the party apparatus in the capital.

Since Mr. Chun dropped constitutional amendments from the political agenda, increasing attention has focused on government plans to decentralize the political system by allowing more autonomy to municipal, county and provincial administrations.

In essence, the plan calls for the election of currently appointed officials by local councils and the reconstruction of provincial legislatures that were dismantled when Park Chung Hee seized power in 1961. Along with this, the government appears set to loosen some restrictions on the press and release some political prisoners.

Mr. Chun committed himself to reinstituting the local autonomy system when he came to power seven years ago. The urgency with which the government is now addressing the issue is viewed by many observers as part of the president's effort to repair the political damage sustained by his abrupt constitutional decision.

Nonetheless, an increase in local autonomy is viewed by many observers as one key to the future development of both the ruling party and the opposition.

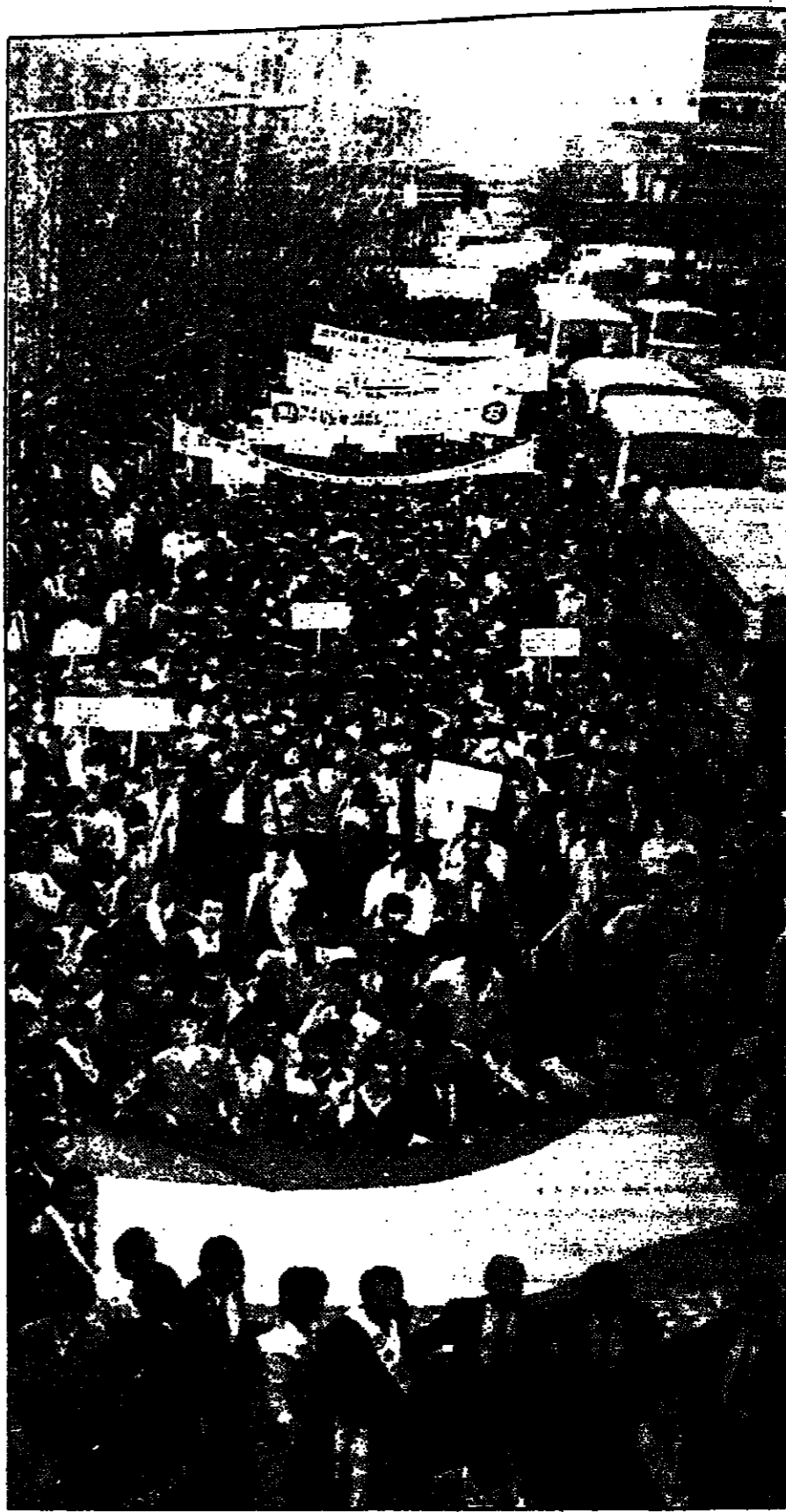
Younger, civilian members of the Democratic Justice Party have long sought to advance it beyond its beginnings in the military and to shape it into a freestanding political institution. The devolution of power will provide an opportunity for this to happen, and it will allow the opposition to draw nationwide support for the first time.

For the opposition, local autonomy will provide an opportunity to reach beyond Seoul and a few other large cities and increase its support throughout the country. In this, the plan is viewed potentially as a turning point in South Korea's political evolution.

"If they are implemented properly, these measures could transform the political picture," one local commentator said. "The opposition would suddenly be able to develop the backing and the political leaders it needs to compete."

The extent of the government's commitment, however, remains unclear at best, according to political sources. In late April, officials announced that the first phase of the program, involving less than two dozen localities, would begin in January, a month before Mr. Chun's term in office expires.

The plan now under consideration would not be completed until late 1988 at the earliest.



Early last month the opposition took to the streets in Seoul.



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## Lesson From Japan On Trade With U.S.

Continued from page 11

Seoul deliberately decided to buy U.S. manufactured goods in place of traditional purchases from Japan. This angered the Japanese, who filed a complaint against South Korea with the international compact that regulates world trade, the Geneva-based General Agreement on Tariffs and Trade.

But South Korea was playing to an audience in Washington, not one in Tokyo or Geneva. And the decision, well trumpeted by Deputy Prime Minister Kim Mahn Je and Trade Minister Rha Woong Ba on separate visits to Washington, appeared to be a successful gambit for Seoul.

"We will continue to fulfill our commitment to expanding U.S. access to our market," said Mr. Rha in a letter announcing that South Korea, in a recent buying mission, had purchased \$1.8 billion worth of U.S. goods.

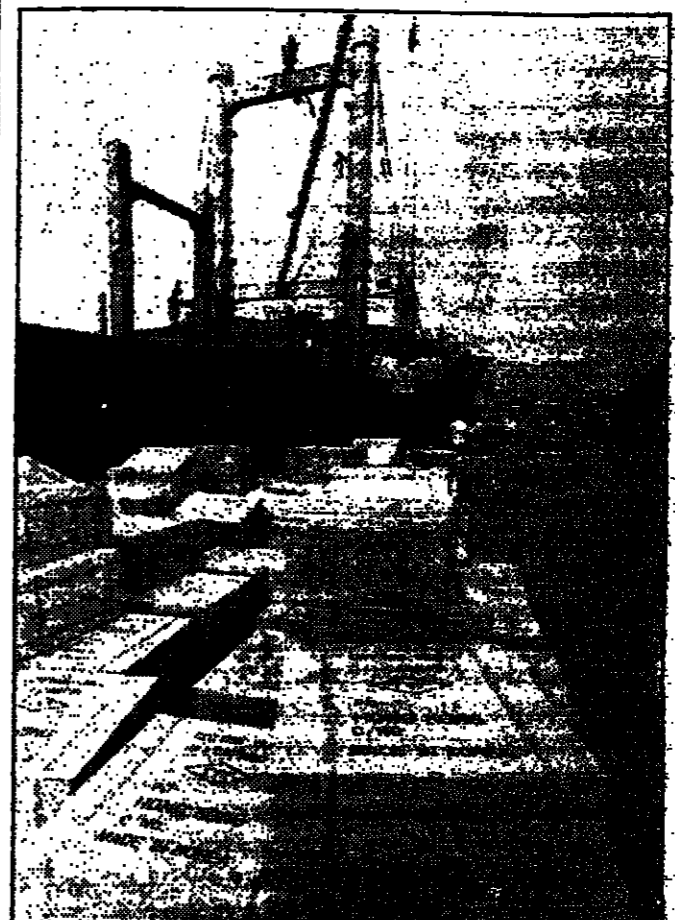
"Of this total," Mr. Rha said,

"about \$400 million consists of orders transferred from traditional suppliers in Japan to new ones in the United States."

This purchasing mission preceded a flurry of trade liberalization steps that were announced last month in Seoul. These included the announcement that Seoul intends to freeze its trade surplus with the United States at its 1986 level of \$7.4 billion instead of allowing it to rise to an estimated \$10 billion by the end of the year.

While Reagan administration officials welcomed the market opening side of the South Korean program, they expressed concern that South Korea might try to control its surpluses by restraining exports.

Although the United States has called for voluntary restraint agreements with a number of countries, including Japan and South Korea, on steel exports and agreed to limits with Japan on its auto exports, these restrictions go against the free trade rhetoric of President Ronald Reagan.



Korean exports pile up at the port of Pusan.

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# Economic Gains Bring A Growing Maturity

By Patrick L. Smith

**S**EOUL — Like the 169,000 Hyundai autos that arrived in American driveways last year, South Korea is assuming its place in the global economy faster than even its most determined industrialists and planners seem to have anticipated.

Propelled by a combination of low oil prices, low interest rates and the revaluation of the Japanese yen — "the three blessings" as they are known here — national output grew by 12.5 percent in 1986, the world's highest rate of expansion.

And because the yen's rise coincided with significant advances in South Korea's auto and electronics industries, the nation established itself decisively last year as a global force in both sectors. Auto exports tripled in value terms, to \$1.6 billion; overseas electronics sales grew 55 percent.

Such gains have brought South Korea quickly to a turning point in its economic development. After decades of deficits in its external accounts, the trade and current-account balances have swung into surplus for the first time in the nation's history.

As a consequence, the massive foreign debt with which South Korea has underwritten its industrialization is now scheduled to decline by nearly a third in the five-year plan that ends in 1991. After peaking at \$47 billion in mid-1985, it stood at \$44.5 billion at the end of 1986.

Only a year ago, by contrast, debt was expected to continue building until it reached a peak of \$52.1 billion in 1990.

Marking the corner the nation has turned in its economic evolution, Seoul is now beginning to drop the emphasis it has long placed on austerity at home and to encourage increased domestic consumption.

"The improvement in our external conditions is a point of transformation for South Korea," said Young Soo Gil, a senior fellow at the Korea Development Institute, a government-funded research center. "Growth and exports are no longer the only priorities."

As many observers had predicted, this advanced state in the nation's economic emergence has been accompanied by increased trade friction and difficult structural adjustments in the high-growth industries of the past.

South Korea's trade imbalance with the United States, its largest trading partner, grew by 70 percent last year, to \$7.3 billion. Not surprisingly, Washington has substantially raised its demands for a liberalized import regime and a revaluation of the South Korean won.

At home, unbridled expansion during the 1970s in such industries as shipping and construction has left them financially fragile and overdeveloped in relation to current world demand. Increasing competition from lower-wage nations is also threatening a number of the nation's largest producers of traditional exports.

Some of these problems have retarded the government's long-term effort to reduce its role

in the economy. Debts of an estimated \$6 billion among ailing shipping companies and overseas contractors have forced officials to intervene by underwriting rationalization plans and assisting in the disposal of poorly performing assets.

Chiefly to avoid collapses among creditor banks, the government disclosed plans in early April to restructure more than two dozen troubled concerns in these two sectors, with the support of 15 companies that have better survived recent industry downturns.

The central bank and the Finance Ministry have similarly intervened to offset the inflationary effects of last year's 35 percent rise in export revenues and a consequent surplus of \$4.6 billion in the current account.

With money supply expanding at an annualized rate of nearly 20 percent, the government has dampened speculation in the property sector and suppressed prices in the share market by forcing local institutions to sell off substantial proportions of their portfolios.

These policies apart, what has struck foreign analysts in recent months is the increasing sense of maturity with which Seoul is addressing many of the problems that have come with its success.

Despite official reluctance, the South Korean won has been allowed to appreciate steadily, if slowly, against the U.S. dollar. It rose 3.4 percent in value last year and is expected to gain an additional 7 percent by the end of this year.

The government has also substantially advanced the five-year timetable set in 1983 for the liberalization of domestic markets.

Accompanying these measures, the government disclosed last month a wide-ranging initiative intended to reduce the role of exports as a contributor to economic growth and to begin encouraging import consumption among manufacturers.

The measures include the withdrawal of long-standing export subsidies and the provision of \$2.5 billion in low-cost Central Bank credits for businesses purchasing imported capital goods. Public spending on such projects as schools, hospitals and roads is also scheduled to increase.

Local economists and foreign analysts view these steps as the most important indication to date of South Korea's increasing economic self-confidence. They mark, in effect, the nation's first effort to advance beyond the export-led development strategy that has been the key to its success since it was adopted in the early 1960s.

The official targets are to maintain the current account surplus at roughly \$5 billion in coming years and to balance the contributions to gross national product made by exports and domestic growth.

Neither will be easy to meet in the near term, according to most economists. This year's current account balance is already expected to reach \$7 billion to \$8 billion and could run as high as \$10 billion. Overall growth is also expected to exceed the official forecast of 8 percent.

Exports are increasing at roughly the same rate as last year, when they accounted for about two-thirds of GNP expansion. Growth in capital investment household consumption, while not

## ECONOMIC PROFILE

Year on year, growth in total GNP last year rose from 9.9 percent in 1Q to a high of 15 percent in 3Q before falling back to 11.8 percent in 4Q.



### MANUFACTURING

Q1	+11.4%
Q2	+17.6%
Q3	+18.8%
Q4	+20.6%

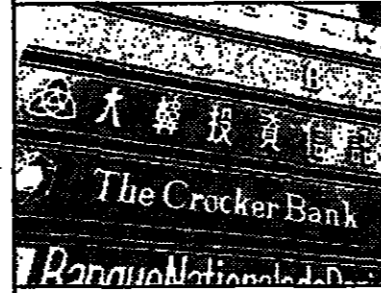
### CONSUMPTION

Q1	+4.8%
Q2	+5.5%
Q3	+7.7%
Q4	+7.0%



### CAPITAL FORMATION

Q1	+9.8%
Q2	+15.5%
Q3	+16.3%
Q4	+10.7%



### AGRICULTURE

Q1	+19.7%
Q2	+2.7%
Q3	+9.5%
Q4	+2.9%



Photos from top: Hwa/Corbis, Bureau/Corbis, Massimo/Sygma, Kuriko/Corbis

Source: Hwaeri Gov. 1986 results

unhealthy, falls well short of expansion in the export sector.

In the longer term, the young technocrats urging a basic shift in South Korea's economic priorities must also contend with a high degree of bureaucratic inertia, a variety of nontariff barriers and an engrained tendency to preserve foreign exchange.

These are potentially significant barriers to

the effective implementation of Seoul's new policies. Nonetheless, the nation is widely credited with having taken the first steps toward more balanced growth and smoother trade relations.

"The change in direction is clear," a foreign diplomat said after the government's initiative was announced. "The question is whether the technocrats will triumph, whether they can move the guys running steel plants and factories."

# Domestic Demand Fuels Dramatic Expansion of Crude Steel Production

By Erwin Shrader

**S**EOUL — As Japanese, U.S. and European steelmakers shrink, South Korea's relatively young steel industry grows, and in dramatic fashion.

Kwangyang Bay, on the country's southern coast, once produced some of the best fish and edible seaweed on the Korean peninsula — but no longer. In early May, with the dedication of the \$1.18 billion first phase of Pohang Iron & Steel Co.'s (POSCO) second integrated mill, the formerly tranquil bay started yielding steel.

The state-owned plant, which employs the continuous-casting process, increases POSCO's crude steel production capacity by about a third to 11.8 million tons per year. Work on a second phase is under way. Its 2.7 million tons of capacity, when completed in late 1988, will push South Korea well up among the top 10 steel-producing nations of the world.

The expansion of POSCO, which produces more than 60 percent of South Korea's crude steel, and other smaller Korean steelmakers has been keyed to low construction and labor costs, melded with the latest in Japanese and Western iron and steelmaking technology.

Korean-made steel is among the cheapest in the world. This has won it markets worldwide, notably in the United States, which took in about a third of South Korea's \$2.7 billion in steel exports for 1986.

Last year, direct exports accounted for about 30 percent of total steel production in South Korea, down from a peak of 44.5 percent in 1982. Sluggish world demand plus voluntary export-restraint agreements with the United States and the European Community have dampened overseas sales.

Kim Kyo Sung, director of the Ministry of Trade and Industry's iron and steel division, said that exports in 1987 were expected to drop 1.5 percent in volume and increase only 1 percent or so in value.

"The purpose of expanding our capacity is to meet domestic demand," said Mr. Kim, by way of calming trading partners with beleaguered steel industries. Through 1990, he said, growth in local demand for steel goods is projected at 7 percent per year, outstripping increases in local production.

Pushing POSCO and other steel companies to their limits are South Korea's car and consumer electronics industries, which have made dramatic export gains in the past two years. (About a third of South Korean crude steel production is exported indirectly.)

This year, even South Korean shipbuilders, in a slump until recently, are placing

larger orders for steel plates. Meanwhile, demand from the construction sector, South Korea's steel's biggest customer, holds steady.

South Korean manufacturers continue to import significant volumes of specialty and high quality steels. Local steelmakers, at the urging of the government, have moved to broaden their product range.

Earlier this year, POSCO started up a cold-roll mill at its main plant in Pohang to supply carmakers with high-grade steel sheet, much of which they have had to import from Japan. A similar plant is under construction at POSCO's Kwangyang complex.

POSCO has plans for two additional steelmaking phases at Kwangyang that

Growth has been keyed to low building and labor costs melded with the latest in technology.

would round out the company's crude steel capacity at 18 million tons per year sometime in the mid-1990s. For now, however, it is still wait and see, said Mr. Kim of the Ministry of Trade and Industry, suggesting that foreign trade restrictions on South Korean cars and other emerging exports might discourage further expansion.

As a hedge against protectionism, a profit-rich POSCO last year agreed to spend \$240 million to help modernize a USX Corp. finishing plant in Pittsburg, California. As part of the deal, POSCO will supply the plant with a million tons of steel coils each year, beginning in 1989, which is when the current restraints on South Korean steel imports expire.

ERWIN SHRADER is industry editor for Business Korea, an English-language monthly magazine published in Seoul.

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The Asian Connections

# Industries Cautiously Explore Investment Moves Into Southeast Asia

By Michael Richardson

**S**INGAPORE—Under pressure from a rapidly rising yen and the threat of protectionism in some of their major markets, Japanese manufacturers have been forced in the past two years to relocate many factories overseas, with Southeast Asia becoming a favored target since early 1986.

After years of tight government control over offshore investment, there are signs that South Korean companies will also develop a more substantial stake in the region.

The government in Seoul recently announced that it would relax its overseas investment rules and allow South Korean banks abroad to lend more liberally for that purpose. Pressure from the United States for revaluation of South Korea's currency, the won, may also encourage South Korean manufacturers to establish operations abroad.

But foreign analysts and South Korean businessmen and officials in the region caution that this shift is only expected to be of gradual benefit to members of ASEAN, the Association of South East Asian Nations linking Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

In a recent survey of the South Korean economy, Political & Economic Risk Consultancy Ltd., a Hong Kong-based group of consultants, said it expected "a boom in overseas investment" to follow the government's relaxation of rules. But it said that this investment was likely to be widely dispersed.

Koo Cha Hong, managing director of Gold Star Co. Ltd. in Singapore, said he believed that South Korean companies would, in the future, undertake more direct investment and joint ventures in ASEAN countries. His firm is a member of the Lucky Goldstar group, South Korea's third largest industrial, trading and financial conglomerate after Samsung and Hyundai, measured by 1986 turnover.

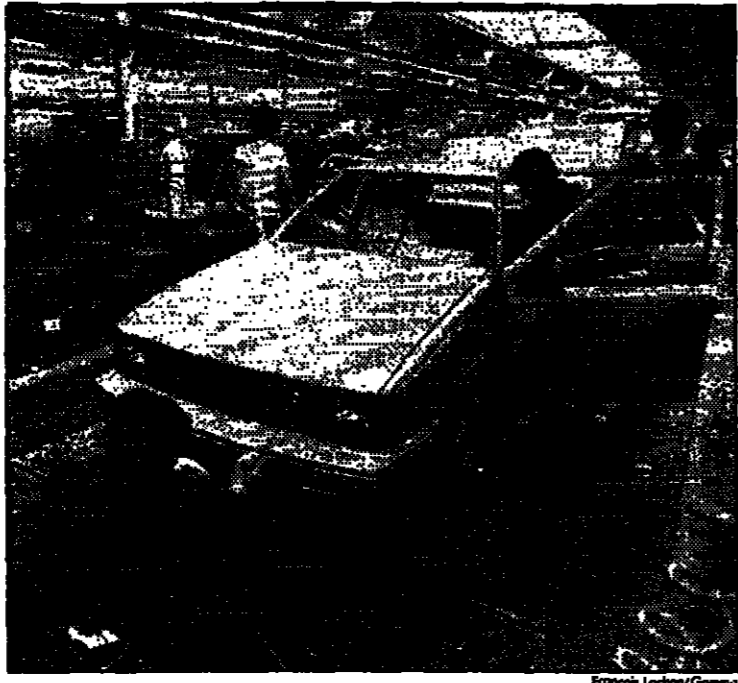
South Korea's total investment in ASEAN amounts to less than \$200 million, only a fraction of the funds committed by the United States, Japan and West European nations. By contrast, Japan's investment in Indonesia alone is more than \$8.5 billion.

Mr. Koo said that ASEAN countries wanted Japan and South Korea to "come in and contribute to economic development by investing and not just selling. We understand that. I feel that South Korea may be able to provide a viable alternative to Japan in technology transfer for ASEAN."

South Korea has worked hard on research and development to build its own technological base. The success of Hyundai's cars in export markets testify to this, although they have been helped by the strong yen, which has made similar Japanese vehicles substantially more expensive.

The two latest South Korean models, Pony Excel and Stellar, first appeared in Singapore last September. The dealer reported recently that they had captured 18 percent of the local market for new cars, just behind the best-selling Japanese Honda.

However, South Korean officials said that the first industries to move offshore were likely to be small and medium-sized labor intensive



Workers at the Hyundai auto plant in Ulsan.

Labor costs in South Korea are higher than in Thailand and Indonesia, almost the same as in Malaysia, and way below those of Japan.

enterprises, not high-tech ones. They said the most promising locations in the ASEAN area were Thailand and Indonesia because wage costs were relatively low and domestic markets large.

Established South Korean investments include plants for cement and plastics in Singapore, forestry, plywood, steel fabrication and chemicals in Indonesia, and cement, rubber products and furniture in Malaysia.

Mr. Koo said the Lucky Goldstar group is considering joint ventures for manufacturing color television sets in Thailand, textile machinery and electrical tools in Indonesia and electronic items in Malaysia.

Labor costs in South Korea are higher than in Thailand and Indonesia, almost the same as in Malaysia, significantly lower than in Singapore and way below those of Japan. The productivity of South Korean workers and the quality of their output is generally superior to that of most ASEAN countries, according to South Korean businessmen.

Mr. Koo noted that labor costs in Japan's electronics industry were four or five times higher than in South Korea. "So Korean companies in general still want to concentrate their investment at home," he added.

Southeast Asia's experience of Japanese and South Korean business practices has been far from uniformly favorable, particularly in the construction industry.

In the early 1980s, Japanese and South Korean companies won the lion's share of major contracts in Malaysia, prompting charges from local firms that they were underbidding, making too little use of Malaysian equipment, supplies, skilled labor and technicians, and withholding know-how.

A focus of this criticism was Asia's longest

bridge connecting Penang Island with the Malaysian mainland. The 6-mile (10-kilometer) bridge was completed in 1985 at a cost of \$314 million by Hyundai Engineering and Construction Co.

In Singapore, where South Korean construction firms have won tenders worth \$1.87 billion, there were similar rumblings of complaint from contractors. The government is now offering preference to Singaporean contractors in bidding for public sector contracts, either as independents or in joint ventures with foreign firms. It is also encouraging local firms to form partnerships with experienced foreign construction companies to find offshore work.

Sangyong Construction recently completed work in Singapore on the Raffles City complex, which includes the world's tallest hotel, the 72-story Westin Stamford. Hyundai has two large contracts — the second terminal building at Changi international airport and a section of the rapid transit project.

But overbuilding in Singapore and economic recession in Malaysia and other parts of Southeast Asia have sharply curtailed big construction projects. As a result, many South Korean firms have scaled down their presence or pulled out altogether.

Largely because of the fall in the price of oil, gas and many other raw materials imported by South Korea, the value of two-way trade with ASEAN has fallen in the last year. In the decade to 1983, trade increased more than fivefold to \$3.24 billion. It reached a peak of \$4.2 billion in 1985, before dropping back to \$3.4 billion last year.

South Korea has consistently bought much more than it has sold to ASEAN, reflecting its interest in securing supplies of raw and semi-



Radios are assembled at a Lucky Goldstar factory in Seoul.

processed materials needed for its expanding industrial sector.

Main imports include crude oil, liquefied natural gas, petroleum products, lumber, rubber, tin, copper and agricultural commodities.

Major South Korean exports to ASEAN are steel products, electrical and electronic goods, ships, textiles, machinery, synthetic resins and other manufactured items.

In its survey, Political and Economic Risk

Consultancy Ltd. said that South Korean companies were still looking mainly toward joint ventures for mineral resources.

It said the goal of the government in Seoul was to get South Korean enterprises, working alone or in joint ventures abroad, to produce a substantial portion of the country's requirements of coal, oil, uranium, copper, iron ore, sulphur and other essential feedstock that is nonexistent or in short supply at home.

South Korean companies are involved in petroleum production in Indonesia, sulphur mining in the Philippines and have just started drilling for oil in waters off the east Malaysian state of Sarawak.

MICHAEL RICHARDSON is the Southeast Asia correspondent for the International Herald Tribune and is based in Singapore.

## Keeping the Edge on Taiwanese

By Patrick L. Smith

**S**EOUL — "It is better to be the head of a chicken than the toe of a bull," an ancient Chinese saying has it. For industrialists in many East Asian societies, this earthy aphorism is a natural guiding principle. In terms of economic structure, it marks the chief distinction between South Korea and Taiwan, which is South Korea's closest economic competitor and the nation with which it is most frequently compared.

Centered on its chaebol, or family-held business clans, South Korea's economy is heavily dependent on the productivity and financial health of a few dozen conglomerates that tower over the economy.

Together, the leading chaebol account for nearly a quarter of gross national product; the largest among them, the Hyundai group, speaks for 2 percent to 3 percent of total output by itself.

By contrast, Taiwan is a nation of about 60,000 small and medium-sized producers, most of which have only a handful of employees. Manufacturers so classified make up almost all of the island's industrial base and account for three-quarters of its overseas shipments.

In this respect, at least, each nation admires the other. The chaebol have enabled South Korea to make first-entrants into heavy and high-technology industries such as steel, autos and semiconductors and to borrow heavily in hard currencies to do so.

The chaebol project South Korean brand names into global markets more effectively than those of any nation in Asia other than Japan. Research and development spending, a key to future growth for both South Korea and Taiwan, is 1.8 percent of national output in

**'It is better to be the head of a chicken than the toe of a bull.'**

South Korea, compared with less than 1 percent for Taiwan.

At the same time, Taiwan has developed a degree of flexibility among its manufacturers that South Korea has foregone.

Producing chiefly for foreign brand names, companies can jump from Hula Hoops to plastic sandals and on to computer casings according to market demand. A significant portion of Taiwan's output is in components to such companies as IBM, Xerox and AT&T.

Taiwan suffers none of the overconcentra-

tion that has long plagued the South Korean economy, but because every executive wants to be the head of a chicken, there is spreading concern that the island's entry into high-tech, high-investment industries may be retarded.

"They come here to learn how to encourage mergers and concentrate resources," a government economist in Seoul said recently. "We go there to learn how to cultivate our small and medium-sized industries."

Both Taiwan and South Korea have exported their way from poverty to relative affluence in the past quarter of a century, and many of the industries on which this process has been based — textiles, footwear, toys, furniture and simple electronics — are as prominent in one economy as they are in the other.

There are other similarities. Reflecting an overemphasis on production during the crucial stages of industrialization, both suffer from underdeveloped banking and financial sectors and relatively unsophisticated management techniques among corporations. Export dependence has kept wages in check and retarded public and private consumption at home.

Now Taipei and Seoul face the same challenges. Chief among them is how best to climb the technology ladder, leaving behind the industries that have brought them to the edge of full development without significant economic dislocation.

Equally, international competition and the threat of protectionism are forcing both to open their markets more quickly than they had intended and to begin stimulating their domestic sectors.

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## Financial Market

## Higher Liquidity May Help to Free Banks

By Paul Ensor

SEOUL — South Korea's banks remain the soft underbelly of an otherwise ebullient economy. They are heavily subject to government intervention and reliant on government support due to their heavy exposure to "problem" companies, particularly in the construction and shipping sectors.

Although government officials like to expound their faith in liberalization of the banks, which would theoretically improve their ability to make profitable judgments on their own, this goal seems far off.

But two economic achievements last year suggest the system could be closer than expected to a more independent position.

The most striking of these was the country's substantial current account surplus of \$4.65 billion, which is expected to grow this year. Also, 1986 was the first year when savings exceeded investment; the savings ratio shifted up a point to 32 percent, while the investment ratio fell a point to 31 percent.

With these two developments, some of the best arguments for controlling the banks have disappeared. South Korea has historically been a capital-scarce economy, dependent on foreign loans, which have made it the world's fourth largest debtor. External debts reached \$46.8 billion, or 57 percent of gross national product, in 1985.

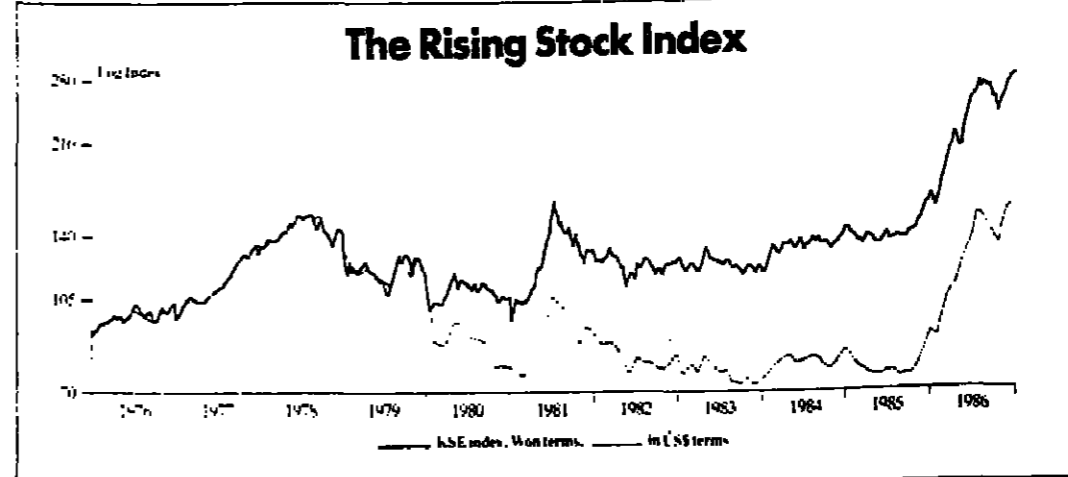
Because of the funds scarcity, the government has taken a strong hand in the management of finance. Now, higher savings rates mean that policies such as interest-rate fixing to draw money into the banks (and out of illegal curb markets) could start to be relaxed.

All this, of course, is not as simple as it sounds. As Deputy Prime Minister Kim Mahn Je explained, "We have a financial system geared to life in deficit; you cannot suddenly go into reverse gear overnight."

Indeed, efforts to cope with the increased liquidity probably has reinforced rather than reduced the government's presence in the daily operation of South Korean and foreign bank branches.

It will take more than a few years of current account surpluses to weaken the close ties between the banks and government. The country's four main commercial banks were state owned until the President Chun Doo Hwan came to power in 1980. In the name of liberalization, they have since been sold off, but their presidents continue to be selected by the Ministry of Finance, frequently from its own ranks.

Loan decisions have traditionally been made for bureaucratic or political rather than for business reasons, leaving the banks with large portfolios of bad loans. Estimates of the size of these loans, mainly extended to shipping and



construction firms, are difficult to make because the figures are kept secret. While most banks reported improved profits last year, this does not take into account many nonperforming loans listed as healthy in their published results.

Based on borrowings from the Bank of Korea, three banks — the Commercial Bank of Korea, Choheung Bank and the state-owned Korea Exchange Bank (KEB), grew the fastest last year. KEB has recently been saddled with the management of Pan Ocean Shipping, whose shaky financial condition faced a new crisis in April, when its chairman, under investigation for tax evasion and capital flight, jumped to his death from his office in Seoul.

For foreign banks operating in the country, South Korea is becoming a more complex, more difficult place to make money. The most obvious change, once again, has come with the current account surpluses: Debts are being prepaid or refinanced on improved terms. In 1986, total external debts fell \$2.2 billion, and the drop could be \$3 billion this year.

As one U.S. banker said, "Looking at the situation in simplistic terms, we do well when the economy is in trouble, and badly when things are on a roll, which they are for the time being."

External sovereign debts, usually to South Korean banks or government borrowers such as Korea Electric Power Co., are generally negotiated through Seoul and Hong Kong branches of the foreign lenders and signed in Hong Kong.

Local lending by foreign bank branches has also been

affected by the changes in the current account and debt positions. Competition for customers has become tighter and restrictions on foreign borrowing to reduce debts have affected business.

"There is a sense that we are not needed here anymore," said a foreign branch manager.

In the past year, Morgan Guaranty has downgraded its presence here, and Mellon Bank closed its representative office, withdrawing entirely from the country. A number of U.S. banks, under particular pressure from their head offices to produce results, have become especially sensitive to falling returns.

While U.S. banks talk more of developing their nonloan fee-taking services in South Korea, it is the cash-rich Japanese, traditionally viewed with deep suspicion in South Korea because of their past role as colonial masters, who are moving in, offering unbeatable rates to increasingly picky customers.

On the active secondary market in South Korean assets in Hong Kong, bankers say that the pattern is clear: U.S. banks are selling and the Japanese are buying.

In 1984, the government pledged to conduct a step-by-step liberalization of the banking sector to help foreign banks. This was initially greeted as a victory by the foreign bankers, but few at this stage are happy with the steps taken. They say the changes have still not significantly dealt with their main problem — raising local funds.

PAUL ENSOR is the correspondent in Seoul for the Far Eastern Economic Review.



Shoppers make their way through a crowded street in central Seoul.

## Steps Toward Democracy Slip

Continued from page 11

But progress under Mr. Chun on the North Korean question has not been significant, leading many South Koreans to conclude that he has relied on the security threat, as his predecessors did, to justify harsh domestic policies.

Given Mr. Chun's shortcomings on such issues, few South Koreans view his presidency as the break with the past that Mr. Chun had hoped his term would represent. Although he has demonstrated an awareness of the nation's fundamental social and political problems, he is seen to have done little to solve them.

Instead, the president is likely to retire nine months from now as a distant, unapproachable leader who is unable to take advice, some associates indicate, even from trusted party leaders.

A newspaper poll conducted earlier this year indicated that 86 percent of those questioned disapproved of his government.

Apart from Mr. Chun's diplomatic advances and the health of the economy, what has lent his regime a limited degree of legitimacy, ironically, is his willingness to abide by his own constitution in stepping down at the end of his term in February.

More than anything else, however, the cancellation of constitutional talks in April is seen to mark a failure on Mr. Chun's part to deliver the peaceful transfer of power to which he has long been

committed. At a national convention scheduled for June 10, the governing party is expected to designate Roh Tae Woo, the party chairman, as its candidate to succeed Mr. Chun.

Although Mr. Roh's nomination has been anticipated for some time, his probable election under the current constitution is expected to reinforce the view that he represents no significant change from Mr. Chun.

Mr. Roh has been a close associate of Mr. Chun since their graduation in 1955 from the Korea Military Academy. Like the president, he is closely identified with the suppression of a popular uprising seven years ago in the southern city of Kwangju, during which at least 200 students and workers died.

"Roh's ascendancy may or may not be peaceful," a local commentator said recently. "But either way, not many South Koreans will accept it as a transfer of power."

The profound sense of disappointment with which South Koreans view recent developments is focused on both sides of the political equation. Increasingly, both Mr. Chun and his opponents are recognized as similar products of a political system that has stubbornly resisted modernization.

Centuries of overcentralization in Korea, according to academic analysts, have deprived the nation of the intermediate political institutions through which gener-

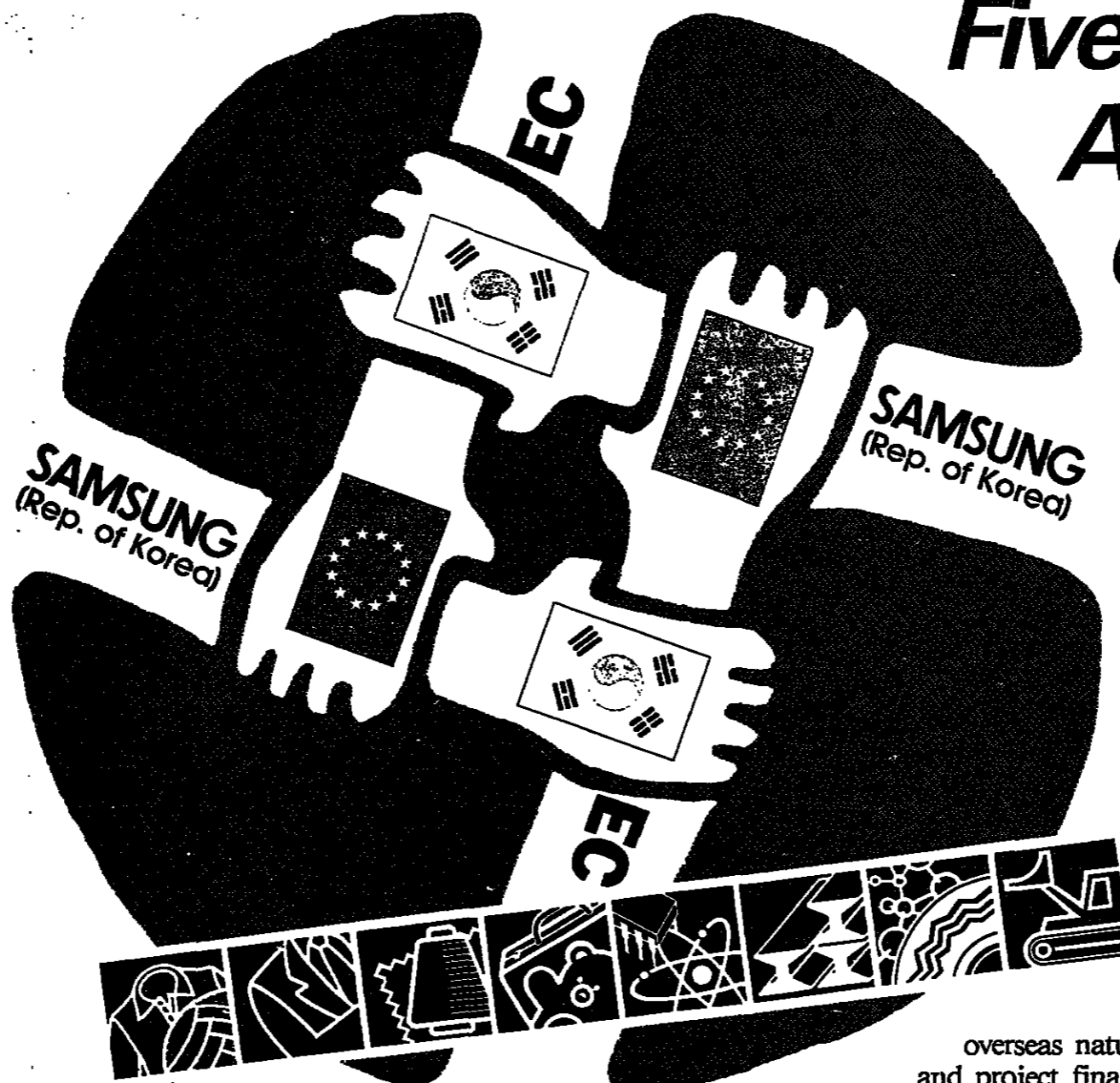
ations of mature politicians are developed.

Mr. Chun has long promised to begin a long-term effort to devolve political power in South Korea downward by reconstituting provincial legislatures and allowing localities to elect many officials who are currently appointed by Seoul. Only now, however, has the ruling party mounted a belated drive to develop a local autonomy program.

In a year of frustration and pessimism, this has emerged as an essential step if South Korea is to develop a political system commensurate with its economic advances. Encouraging the process, regardless of the potential political cost, is likely to be one key to the legitimacy of the leader elected later this year.

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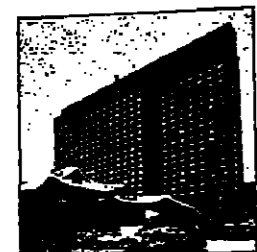
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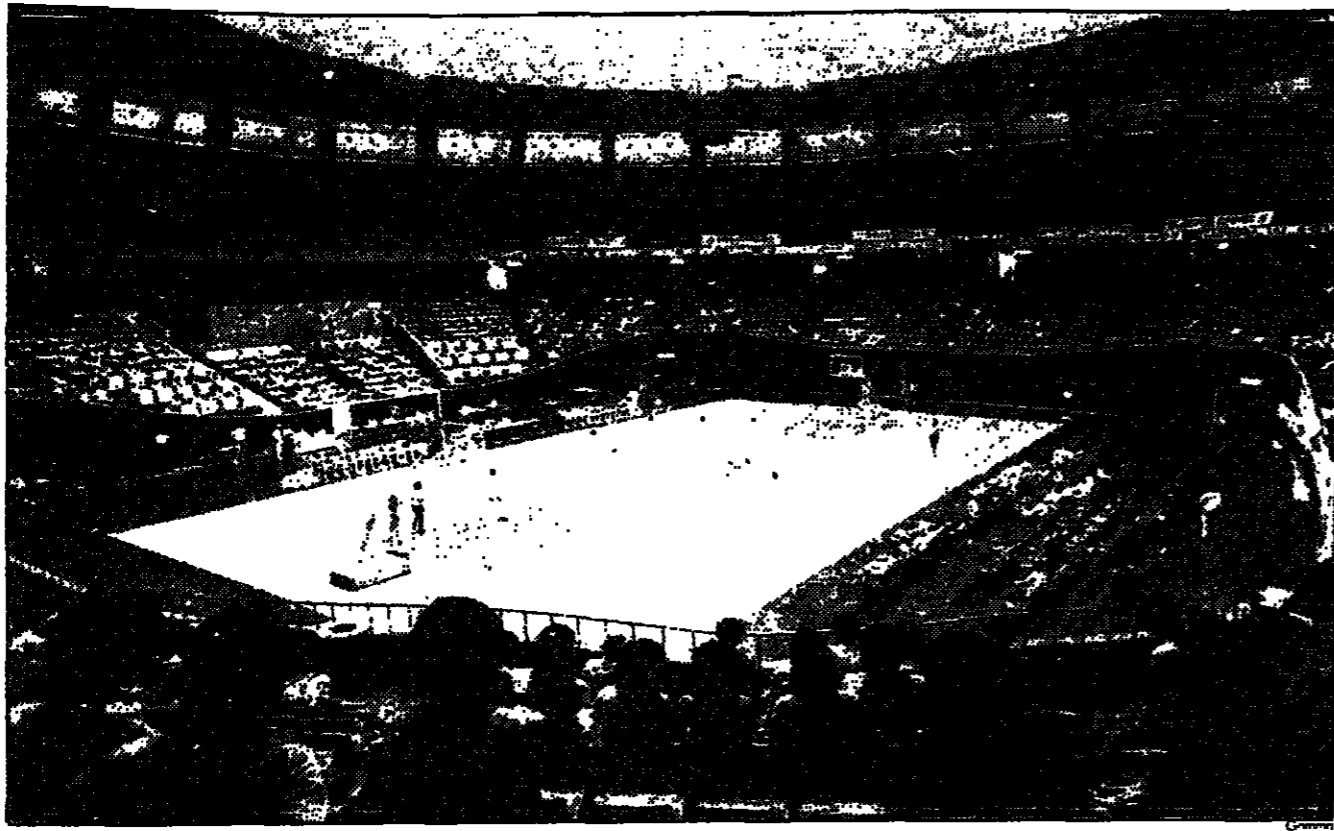
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A basketball game in progress at Seoul's Olympic Stadium. North Korea wants to host a third of the 1988 Games.

# U.S. Concerned by Pace of Change, Urges More Open Political System

By Ralph N. Clough

WASHINGTON — President Chun Doo Hwan's announcement of April 13 ending negotiations with the opposition on a revised constitution caused deep concern in Washington.

The U.S. government, in a speech last February by the assistant secretary of state for East Asian and Pacific affairs, Gaston J. Sigur Jr., had firmly backed the constitutional reform effort, which began early last year.

"Old patterns no longer suffice," Mr. Sigur said. He urged the contending parties to make compromises in order to reach a consensus on a more open and legitimate political system, a change "essential for the future of the Republic of Korea and for the future of our bilateral relations."

Mr. Sigur questioned the wisdom of the South Korean military continuing to play an important role in politics. Secretary of State George P. Shultz confirmed during his visit to Seoul in March that Mr. Sigur's speech reflected U.S. policy.

The U.S. government's support for greater democratization in South Korea rests on a widespread recognition that social change resulting from rapid industrialization and urbanization has created a broad middle class that wants a government more responsive to the popular will.

It is recognized also, however, that the desire for political change is tempered by conservative tendencies, respect for authority and hierarchy, and a desire for stability in the face of the security threat from North Korea.

U.S. officials are concerned about rising anti-Americanism in South Korea, particularly among students. Many students accuse the United States of supporting an unpopular military leader who came to power through a coup.

Washington had hoped that the ruling Democratic Justice Party and the principal opposition group, the New Korea Democratic Party, could reach an agreement on constitutional revision, but as Mr. Sigur noted, the negotiations produced "more rhetoric than results."

The Democratic Justice Party made early concessions to get the negotiations started, but thereafter neither side showed significant flexibility.

Thus, when the opposition split, President Chun chose the occasion to break off the talks, deciding to hold the presidential election this year under the existing constitution.

The opposition has strongly criticized that constitution because it allows Mr. Chun to choose a successor by manipulating the election of the 5,000-plus members of the electoral college. However, the constitution does force Mr. Chun to step down in February 1988, rather than cling to power indefinitely as Park Chung Hee had done.

Mr. Chun has repeatedly promised to step down then. The U.S. government expects him to do so, bringing about the first peaceful



George P. Shultz

clashes with students and a growing number of political prisoners would encourage stability on the part of North Korea and reduce the prospects for a fruitful North-South dialogue.

The United States recently has given signals to North Korea that it hopes may help ease tension on the Korean peninsula. For example, Washington has played down military exercises in South Korea.

The State Department authorized its diplomats to hold substantive conversations with their North Korean counterparts in neutral foreign locations, evoking a favorable reaction from the Foreign Ministry in Pyongyang.

The United States has also indicated that further steps are possible, such as an easing of the U.S. trade embargo on North Korea, if the North Koreans entered into a constructive dialogue with South Korea and took part in the 1988 Olympic Games in Seoul. These moves were discussed by Mr. Shultz with Chinese leaders on his recent visit to Beijing.

The United States and China share a concern for stability and a lowering of tension in Korea. Both see the limited steps taken by the United States toward North Korea and the increasing trade and contacts between China and South Korea as contributing toward these objectives.

Although Mr. Chun's decision to defer the constitutional revision process to 1989 appears irreversible, the South Korean government could take action to moderate the adverse impact of the decision.

It could ease controls on the press and permit journalists forced out of their jobs early in the Chun administration to be re-employed. It could release political prisoners. It could also modify the election laws governing campaigning for the electoral college in order to give the opposition a fairer opportunity and make it less likely to boycott the election.

Most important, it could make clear that whoever is elected in 1988 would not serve the full seven-year term provided under the present constitution, but would be prepared to step down at an early date so that new elections could be held under a revised constitution. Such moves would help to counteract the view that progress toward a more democratic system in South Korea has been halted or reversed.

Political turbulence in South Korea would place the U.S. government in a difficult position. Military readiness against the threat from North Korea and measures to reduce the U.S. trade deficit will require close cooperation with the government of South Korea.

Yet working closely with a government that resorted to excessive repression of the opposition would be difficult. U.S. officials recognize that they have only limited influence and that they will inevitably be criticized by both sides. They expect a troubled year.

U.S. officials are concerned about rising anti-Americanism in South Korea, particularly among students.

change of leaders in modern Korean history. Disappointment at the deferral of the constitutional revision process to 1989 probably will cause the opposition to promote more public demonstrations against the government and student radicals may well try to step up violent action. But the government's large, well-trained police force has demonstrated its ability to pre-empt or contain demonstrations. South Korea is not ripe for the kind of popular movement that brought down President Ferdinand E. Marcos of the Philippines.

Nevertheless, a trend toward repression rather than the liberalization favored by Washington would increase the strain between the United States and South Korea at a time of growing friction over trade issues.

Moreover, increasing political polarization,

disappointment at the deferral of the constitutional revision process to 1989 probably will cause the opposition to promote more public demonstrations against the government and student radicals may well try to step up violent action. But the government's large, well-trained police force has demonstrated its ability to pre-empt or contain demonstrations. South Korea is not ripe for the kind of popular movement that brought down President Ferdinand E. Marcos of the Philippines.

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Moreover, increasing political polarization,

## North, South Grope Toward Talks

By Patrick L. Smith

SEOUL — After more than a year of silence between North and South Korea, the possibility of renewed talks suddenly re-emerged this spring, apparently reflecting a diplomatic opening that Washington has offered the Pyongyang government.

A series of talks covering trade, family reunions and parliamentary exchanges, begun three years ago, was broken off in early 1986, when Pyongyang protested joint military exercises held annually by South Korean and U.S. troops.

The only point of contact since then has been through the International Olympic Committee, which is trying to negotiate an agreement under which North Korea would participate in the 1988 Olympic Games in Seoul.

The current flurry of proposals and counter-proposals was signaled in December, when Kim Il Sung, the North Korean leader, suggested in a speech that the two sides hold a "high-level political and military meeting."

Subsequently, Pyongyang augmented this in proposing the simultaneous resumption of discussions on trade and exchanges. It also agreed to discuss a dam project north of the Demilitarized Zone that Seoul views as a threat to its security.

Analysts view these proposals, advanced in early March, as a partial effort to meet the conditions that South Korea has set for the resumption of negotiations. Pyongyang's approach, some believe, may be in response to a U.S. decision in February to loosen longstanding restrictions on contacts between U.S. and North Korean diplomats.

In the most recent communiqué, sent to North Korea on April 10, Seoul agreed to a prime ministers' summit meeting but insisted that the lower-level talks, including those covering the hydroelectric project, be held first.

"To have progress in our talks, there must be a modicum of trust," said Chang Sun Sup, director general for U.S. affairs at the Foreign Ministry. "And to have that, the suspended talks must resume before we can discuss military and political matters."

The North has not yet responded to Seoul's most recent proposal. But analysts are divided as to how anxious either side is to restart negotiations.

Washington has been trying to bring the two sides back to the bargaining table in order to reduce tensions on the Korean peninsula before the Olympic Games and the transfer of power from President Chun Doo Hwan to his successor.

So far, North Korea has not accepted a

proposal under which it would host two full Olympic events and parts of two others. Its current position, based on the relative populations of the two sides, is that it should host a third of the Games—six more full events than have been offered.

A further meeting of the Olympic committee involving both sides is to take place in the next few months.

Recent shifts in U.S. policy toward South Korea also suggest that Washington has become increasingly concerned about the fragility of the nation's political evolution.

Beyond the easing of diplomatic regulations with the North, the United States has reportedly indicated that it would permit limited bilateral trade, lift visa restrictions on North Koreans and withdraw its objections to North Korean membership in some multilateral organizations.

But all of these possible steps are predicated on a resumption of North-South talks, according to reports from Washington.

Seoul has accepted the U.S. initiative, the extent of which has not been officially confirmed, with evident concern. It fears that a rapprochement between the United States and North Korea, which is a Soviet ally, could reduce its role in an eventual settlement of the peninsula's political problems.



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INTERNATIONAL STOCK MARKETS High Liquidity From Profits Is Driving Stockholm Boom

By JURIS KAZA International Herald Tribune STOCKHOLM — Traditional Swedish summer doldrums are about the only factor that can slow the booming bull market in Stockholm, according to many analysts. Share prices have risen more than 13 percent since the beginning of the year and are up more than 35 percent from a year ago.

The total market value of shares listed in Stockholm surged past 500 billion kronor (about \$80 billion) in late April and was nearing 530 billion kronor by the end of the first week of May. The widely watched Assarvarden index, which stood at 615.7 on May 9, 1986, has climbed to 720.9 on Jan. 27, the first from 824.9 on Friday.

Analysts agree that the driving force behind the boom has been high liquidity on the domestic market resulting from the good corporate profits of recent years. With interest rates falling since the turn of the year, corporations have been shifting cash from the money market to equity.

Private individuals have also been pumping funds into the market. The government decided to allow Swedes to deposit an extra 5,000 kronor in both the first and second quarters into tax exempt, so-called Everyman's Mutual Funds. Normally, the maximum annual deposit is limited to 9,600 kronor.

Wage-earner funds, public investments funded by a tax on corporate profits, are also expected to pour several billion kronor into the market as their revenues increase along with higher corporate earnings.

"There's still a lot of attraction left in the market," said Tim Youngman, an analyst with London's Savory Millin Ltd. "Looking across Europe, it's rare to find any market that can survive on domestic liquidity alone."

Corporate financial assets increased by 30 billion kronor to 190 billion kronor last year, said Brian Knox, a specialist in Scandinavian shares in London's Kleinwort, Greaveson Ltd. "That leaves the corporate community alive and kicking and filled with cash to buy itself up with."

"The other striking thing about the market," he said, "is that which is missing. There have been no new issues. Now a few companies may be waiting in the wings, but even with them, it looks like new issues will be lower in Stockholm than in, say, Helsinki."

FOR FOREIGN and domestic investors, the strategy in Stockholm, once again, is to assume that nearly everything will appreciate because of the market's technical condition. "Everyone looks at the market with a trading view, checking the charts for what has underperformed, rather than looking at earnings or forecasts," Mr. Youngman said.

Haakon Holmberg, an institutional trader at the brokerage firm of Consensus Fond Kommission, said: "Our view is to definitely buy on weakness. The downside here can't be more than 3 or 5 percent, maybe in late June, when the holidays start."

Diana Barran, an analyst at Enskilda Securities, a London investment bank owned by Sweden's Skandinaviska Enskilda Banken, added, "The market may go sleepy over the summer but in the final six months of the year, another 15 percent increase on the indexes is possible."

Mr. Knox and Mr. Youngman also spoke of potential rises of up to 15 percent or 20 percent. Mrs. Barran said that Enskilda's core portfolio included the Swedish multinational Electrolux AB, the gas company AGA Group, the car maker Saab-Scania AB and Perstorp, the maker of chemicals and coatings.

Peugeot Net Soars To Record

Sixfold Rise Helps Restore Dividend

By Axel Krause International Herald Tribune PARIS — The French automaker Peugeot SA said Monday that consolidated net profit rose last year to a record 3.59 billion francs (about \$600 million at current exchange rates), more than six times the 1985 level, and that it would pay its first dividend since 1981.

It got the dividend at 10 francs (\$1.67) a share. The figures far exceeded predictions by analysts. In a major turnaround from a net loss of 341 million francs in 1984, Peugeot posted a net profit of 543 million francs in 1985. Expectations for 1986 profit had ranged from 1.5 billion to 2 billion francs.

However, Jacques Calvet, the group's chairman, said that because of accumulated losses in previous years, Peugeot had been exempt from paying French corporate income taxes since 1985. Other executives at the company said that the exemption would continue until the end of this year.

"We have begun the year in a favorable position," Mr. Calvet said, "yet weaknesses persist. We are still not at the same levels as others" in profit. He said that the net profit represented 3.4 percent of Peugeot sales last year, compared with 9 percent for Fiat SpA, 6.2 percent for Chrysler Corp., 5.3 percent for Ford Motor Co. and 4 percent for Toyota Motor Co.

Mr. Calvet also cautioned that the group's short- and medium-term debt declined by "only" 2 billion francs in 1986, to 30.5 billion francs. He said that Peugeot was making "substantial progress." Sales in the first quarter ended March 31 rose 11.4 percent over a year before to 28.5 billion francs. The figures included a 8.1 percent gain in the Peugeot-Talbot division and 18.4 percent by Citroën.

Group sales in 1986 rose 4.6 percent to a record 104.5 billion francs, with France accounting for 48.2 percent and Western Europe for 51.2 percent, company executives said. In sales volume, Peugeot ranked second in France after Renault SA, the state-owned automaker. In Western Europe it ranked fourth, ahead of Renault.

A senior executive said, meanwhile, that the company has been holding exploratory talks for several years with Libya on building a car assembly plant near Tripoli. But Jean Bollon, chairman of Peugeot's automobile division, said that the discussions were "not very advanced" and had been "complicated by the current political situation" in Libya.

Mr. Bollon said that the domestic market in Libya "could prove promising" for Peugeot, where the company's sales are in the range of 70,000 to 100,000 vehicles, mainly pickup trucks and cars.

"My impression is that the European Community will not, in the end, take concrete measures against Japan," said Uli Wittmann, of the Bank of Liechtenstein, in Frankfurt. "The EC's executive committee in Brussels began its surveillance on Friday and is to check daily on imports of Japanese color televisions, personal computers and power tools.

Those were the products on which the United States recently imposed 100 percent tariffs in retaliation for what it alleged was the dumping of Japanese computer chips in third countries. The EC's foreign ministers agreed April 27 in Luxembourg to require import licenses for products on which U.S. tariffs had been imposed if a major diversion of those goods was detected.

Sources in Brussels said that if diversions are found the ministers, when they meet this month in the Belgian capital, might accept a proposal to impose tariffs but are not likely to prepare them immediately. Some analysts said that the EC, in this way, could engage in muscle flexing before next month's summit meeting in Venice of seven leading industrialized countries.

EC countries, analysts said, do not want to see a further widening of their trade gap with the Japanese, which in the last fiscal year leaped to a record \$18.21 billion in its favor. Tokyo reported in April, but, analysts added, the Europeans do

A New Entreaty for Reagan Bonds



Traders at Salomon Brothers in New York during bidding for the U.S. Treasury's 30-year bonds.

By Patrick L. Smith International Herald Tribune TOKYO — As the results of the U.S. Treasury's quarterly credit auction began to emerge last week, Bank of Japan officials, like their counterparts in Washington, quickly sought to put the best face on it. The prominence of Japanese investors at the \$29 billion sale of government securities showed that current efforts to restore confidence in the dollar are adequate, central bank sources said, and that volatility in the foreign exchange markets is subsiding.

But the view from the markets is different. From their perspective, the heavier-than-expected buying by the Japanese seemed to reflect an orchestrated attempt to master a display of renewed faith in U.S. government debt issues and in the Reagan administration's efforts to stabilize the dollar. As such, the Japanese purchases were futile. The buying underscored only a growing conviction in Tokyo that a substantial new effort to defend the dollar is urgently

needed if another dramatic drop in its value is to be averted, and if Japanese institutions are to continue supporting U.S. debt instruments to the extent they have in the past. What is needed, many feel, is for the United States to issue foreign-currency bonds, or so-called Reagan bonds. In the U.S. fiscal year that ended in September, Japanese investors purchased 15 to 20 percent of new U.S. debt obligations, according to estimates by leading Japanese banks. They appear to have taken a similar share of the 3-, 10- and 30-year securities offered last week. Nonetheless, Japanese dissatisfaction with the exchange-rate risks associated with such investments, which has been evident in the markets for much of this year, has not diminished. Many factors kept Japanese investors in the market, analysts suggest, but optimism about the dollar-yen rate was not among them.

Although central bank and Finance Ministry officials do not comment publicly, there is an emerging consensus in Tokyo that the reluctance of foreign investors to continue assuming exchange-rate risks will eventually force Washington to begin issuing bonds denominated in yen and, possibly, other currencies against which the dollar has weakened.

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OECD's Report Calls for 'Broad' Policy Reforms

By Carl Gewirtz International Herald Tribune PARIS — The Organization for Economic Cooperation and Development, on the eve of its annual meeting of ministers, has called for "broad, bold and sustained" government action on a range of domestic policies that help impede competition and slow economic growth.

The subjects covered in a report made public on Monday range from agricultural subsidies to unemployment compensation, and touch on just about every sacred cow dear to politicians. "It's rather like a call to endorse motherhood," one OECD ambassador remarked. At best, the beneficial effects of such structural reform will emerge only in what the OECD report calls the "medium term," and the emphasis will vary from country to country.

But the two-day ministerial meeting will endorse as "essential" that "concerted action be guided by common principles" and be "built on international cooperation." The underlying strategy is that if all major governments move more or less simultaneously, domestic opposition will be overcome more easily because voters can be told that other countries are moving in the same direction.

Agriculture is the report's most sensitive subject, and also accounts for a third of a 23-page draft of the communiqué to be issued at the end of the conference. Disputes over the final wording have dramatically slowed the drafting of the final statement, which was to have been largely completed before the meeting opened. "A more market-oriented agriculture" is "unavoidable if the sector is not to collapse under the weight of its own surpluses," the report says. U.S. officials have estimated that

direct and indirect agricultural subsidies cost about \$70 billion a year in the United States and about \$50 billion in the European Community. The ministers will agree that "excessive support policies entail an increasing distortion of competition on world markets and run counter to the principle of comparative advantage which is at the root of international trade" and "severely damage the situation of many developing countries."

They will support the long-term objective of reducing subsidies. But the wording on how to implement this goal is still being negotiated. The report also attacks subsidies to industry. "Goals were too broad, priorities too diluted," it says, and "subject to little effective monitoring" in sectors that have become uncompetitive. Both the report and the draft communiqué emphasize the need to:

- Reverse the trend to restrictive trade measures because international trade competition is "the most powerful means of promoting economic efficiency and growth."
• Continue liberalizing financial markets.
• Reform taxes, focusing on simplicity, equity and a reduction of distortions affecting incentives to work, save and invest.
• Improve the quality of education and training, adapting them to the technological and structural changes now under way.

Although the subject is not mentioned in the draft communiqué, the report calls for reforming the public sector to weed out programs whose goals have been met or whose underlying premises are no longer valid, and for adjusting government spending and taxation to the trend toward slower economic growth.

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Currency Rates

Table with columns for currency pairs (e.g., \$/DM, \$/FF) and their respective rates. Includes a note about closing rates in London and Zurich.

Other Dollar Values

Table listing various dollar values for different currencies and commodities, such as gold and silver.

Interest Rates

Table showing interest rates for Eurocurrency deposits (1 month, 3 months, 6 months, 1 year) and Key Money Rates.

Asian Dollar Deposits

Table listing interest rates for Asian Dollar deposits in various currencies.

U.S. Money Market Funds

Table listing U.S. Money Market Funds and their performance metrics.

Gold

Table showing gold prices in various locations (London, New York, etc.) and currencies.

IBM Makes Major Advance in Superconductivity

By James Gleick New York Times Service NEW YORK — IBM scientists have found a way to send enormous electric currents through newly discovered superconducting materials, overcoming the most important remaining technical barrier to applications ranging from high-speed computers to high-power magnets.

International Business Machines Corp.'s Watson Research Center in Yorktown Heights, New York, announced Sunday that the huge currents had been measured in a specially prepared film only one-hundredth the thickness of a human hair. Such films are commonly used in electronic circuits, where they form microscopic wires on the surfaces of chips. IBM said its process "more widely opened the door to applications such as electronic devices, circuits and computer-chip interconnections, power transmission lines, electric motors and electromagnets."

"Most of the laboratories can imitate this technique once we've given them the recipe," said Praveen Chaudhari, an IBM vice president for science who headed the research. Superconductors carry electricity without any resistance, unlike the metals in ordinary wires that waste energy in the form of heat. But, until recently, superconductivity was an esoteric and expensive phenomenon that existed only at the lowest temperatures.

The new superconductors work at temperatures of about 280 degrees below zero Fahrenheit (minus 173 degrees centigrade), which is warm from a physicist's standpoint. As a result, they promise a new generation of technologies of electricity and magnetism. The materials have a variety of properties that researchers have been trying to measure and improve. The superconductors were quickly found to sustain huge magnetic fields, for example, raising the possibility of using them in magnets more powerful than any now in existence.

But the key was how much current the superconductors could carry. The "critical current density" can be crucial for magnets and electronic devices. A superconductor with a low critical current would be like a pipe that could carry water without friction — but only at a trickle. IBM now has measured current densities 1,000 times the level carried by household wiring, enough "for most foreseeable applications," the researchers said. At 77 kelvins, or minus 321 degrees Fahrenheit, the current was more than 100,000 amperes per square centimeter; at 4 kelvins, or minus 452 degrees, it was more than 5 million.

"It's very encouraging," said John Hulm of Westinghouse Electric Corp., who made some of the pioneering discoveries in the field in the 1960s. One reason for doubt about the current-carrying capacities was that the new superconductors are not metals but ceramics, which ordinarily do not conduct electricity at all. The materials are made by mixing together powders containing various elements — in this case, yttrium, barium, copper and oxygen — and baking them at high temperatures. The result is a crystal, with atoms arranged in a regular structure, but the crystal is imperfect. Most of the samples produced so far have been composed of microscopic grains fused together; scientists suspected that the boundaries between grains interfered with the current flow. The new finding confirms that suspicion.

To turn research into practical manufacturing techniques, scientists still must improve the materials in several ways, making them stronger and less brittle, for example. And even though 280 degrees below zero is warm enough for such applications as computers, underground power lines or advanced medical imaging machinery, scientists are struggling to raise the temperature of superconductivity still higher.

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U.K. Committee On Takeovers to Be Strengthened

Reverses LONDON — The body that monitors British takeovers will be made more effective and brought into the framework of the Financial Services Act, Trade and Industry Secretary Paul Channon said Monday. He told Parliament that a review of the Panel on Takeovers and Mergers, conducted by his department, the Treasury and the Bank of England, was complete.

The measures, which take effect later this year, would give the takeover panel access to commercial information to help it assess proposed mergers and bids, an official said. He said the panel would have authority to request the department or stock exchange to appoint investigators to study possible breaches of its code. It could not appoint them itself, however.

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Advertisement for Audemars Piguet Perpetual Calendar, featuring an image of the watch and the text 'THE AUDEMARS PIGUET PERPETUAL CALENDAR. NOTHING CAN EQUAL THE ORIGINAL.'







**BUSINESS ROUNDUP**

**Chrysler Parts Becomes Subsidiary**

Compiled by Our Staff From Dispatches  
TROY, Michigan — Chrysler Corp. announced Monday that it would turn its parts-making division into a wholly owned subsidiary named Acustar Inc. in an effort to broaden sales of components to other automakers.

Analysts said the decision sets the stage for a later spinoff of the unit. The parts division, which became a separate Chrysler unit in January 1985, had \$2.5 billion in revenue last year, with sales outside Chrysler amounting to \$500 million. It posted a \$250 million pretax profit.

Officials at Chrysler, the third-largest U.S. automaker, said that Acustar's status as a subsidiary would make it easier for the unit to arrange joint ventures with outside suppliers who are wary of sharing their technology with Chrysler.

Company officials who asked not to be identified said that as a subsidiary, Acustar also would be better equipped to sell to Japanese-owned assembly plants.

Chrysler may eventually offer stock in Acustar, but does not plan to do so in the near future, said Lee Runk, a Chrysler executive who was named president of the new subsidiary.

The move comes at a time when the top three U.S. automakers are focusing attention on their parts

operations with the aim of cutting costs and expanding sales outside their parent organizations.

General Motors Corp., for example, has said that about 10 percent of the components it makes are not competitive with those available from outside suppliers. Company officials have indicated they plan to stop making those parts soon.

For Chrysler, making the parts division a subsidiary would highlight the unit's financial performance instead of burying it among Chrysler Corp.'s overall results.

Chrysler said that the new subsidiary would be based in Warren, Michigan, outside Detroit, employing about 24,000 workers at 21 plants in the United States, Canada and Mexico.

Mr. Runk said that the operation would change its product mix in the future, shifting its emphasis from parts production to the design of entire component systems. A five-year, \$1 billion modernization is under way, he added.

(Reuters, UPI, NYT)

**CGE Shares Sold to Public Will Trade From June 3**

PARIS — Shares in Compagnie Générale d'Electricité, whose sale to the public began Monday, will be introduced June 3 onto the Paris Bourse's monthly settlement market. CGE's chairman, Pierre Suard, said Monday.

A price of 290 francs (about \$48.45) a share was set last Thursday for the public offering of 35.6 million shares. Another 4 million shares have been set aside for employees at special discounts. The public offering ends on May 23.

Mr. Suard said that the shares had been valued at 346 francs by the brokerage of Fauchier Magnan and at 333 francs by the firm of Leguay Massonand.

After the public offering, CGE will issue 21.8 million new shares to raise 6.3 billion francs, and 21 million of CGE's nonvoting shares outstanding will be converted into the new shares.

Details of the foreign offering, of 7.92 million shares, were also given Monday by David Dautresme, a partner at Lazard Freres & Co. Lazard and Société Générale will be the lead managers.

He said that regional co-leads — Deutsche Bank AG, Société de Banque Suisse (Luxembourg) SA, and SG Warburg & Co. — would handle 15 percent each in Europe. Ten percent would be placed in the United States, with the remaining 45 percent bound for the rest of the world.

CGE, France's second-largest industrial company, was nationalized by the Socialist government in 1982.

**Europe Joins Semiconductor Battle**

*As Chip Sales Rise, So Do the Competitive Joint Ventures*

By John Tagliabue  
New York Times Service

BONN — The decision by the Thomson Group of France and STET, the Italian state telecommunications enterprise, to form Western Europe's second-largest manufacturer of semiconductors demonstrates how the Europeans are trying to increase their share of a highly competitive market.

The joint venture between the civilian semiconductor business of Thomson Semiconductors and the STET division, SGS Microelettronica, is expected to have sales of more than \$800 million and a 3.2 percent share of a world market dominated by U.S. and Japanese companies.

The venture, announced in April, is the latest between European concerns and European or U.S. partners as the Europeans seek to become more competitive. Less than two years ago, Thomson paid \$70 million for the assets of Mostek Corp., a Texas microchip maker, to strengthen its position in North America.

While the U.S. semiconductor market slumped last year, chip sales in Europe rose more than 15 percent, to \$5.4 billion. But Dataquest, an industry research concern, is forecasting 1987 sales of about \$6 billion, a growth rate of 11 percent.

For one, the European chip industry is feeling the pinch of the cheap dollar, which makes American-made semiconductors more competitive in price. Moreover, part of last year's growth was the result of sharp price-cutting that translated into low profits for some and losses for others.

A few companies, while still profitable, scrambled to form joint ven-

tures to develop products that could compete with those being made by U.S. and Japanese chip makers.

For example, Siemens AG of West Germany recently unveiled samples of a four-million-bit memory chip it is developing with Philips NV, the Dutch electronics company. Thomson and SGS already are cooperating to produce and sell memory and logic chips. A Philips unit, Philips-Signetics, is Europe's biggest semiconductor maker, with sales last year of \$1.36 billion.

The joint ventures may not be enough to fend off the more immediate problem that Europeans see arising from the semiconductor dispute between the United States and Japan. Those countries signed a trade pact last July, but in March the United States accused Japan of violating the agreement and, in retaliation, last month imposed 100 percent tariffs on some electronics imports.

Some European executives said the Japanese government had asked its industry not to add European aggravation to the nation's troubles with the United States. But then the Europeans began to fear that, in addition to being a conduit for chips destined for the United States, they might also be the recipients of products shut out of the U.S. market by the tariffs.

Still, the influx of chips from Japan has not been all bad. "In the last years, European industry accomplished an awful lot of modernization and cost-cutting in the face of the Japanese challenge," said Hans De Haan, who directs market research at the German unit

of Texas Instruments Inc., the largest U.S. chip maker in Europe.

Others said that the industry has been helped by its close links to manufacturing. Some of the largest European semiconductor companies, such as Philips and Siemens, are units of large, diversified electrical and electronics companies that use many types of chips in a broad range of products, from computers to videocassette recorders.

Analysts also say a large market is emerging among small machinery manufacturers in countries such as West Germany and Italy, which are increasingly using semi-custom chips to run machines and link them to company computer systems.

Three years ago, seven European electronics concerns formed European Silicon Structures, or ESS, whose directors describe it as a "one-stop shop" for equipment and services to enable companies to design and produce semi-custom chips, gate arrays and logic chips.

Helmut Schmitt, ESS's vice president for central Europe, said that by 1991 he expects the company's market to be worth \$100 million to \$150 million.

**Traveler to Buy Caremark for \$528 Million**

NEWPORT BEACH, California — Baxter Traveler Laboratories Inc., the medical supply and services company, announced Monday it had signed an agreement to acquire Caremark Inc. in a transaction valued at about \$528 million.

Baxter is to exchange \$21.33 worth of its common stock for each share of common stock in Caremark, which also provides medical services.

It also said it would enter into proxy agreements with certain members of Caremark's management, who would authorize Baxter to vote in favor of the merger. Baxter Traveler's share price fell \$1.375 after the announcement to close at \$23.50 on the New York Stock Exchange.

The company said it has been granted an option to purchase about 4.3 million Caremark shares, or 18.5 percent of its common stock, at \$21.33 a share if another bid is made for Caremark.

**Burlington Considers Restructuring to Elude Takeover Bid**

GREENSBORO, North Carolina — Burlington Industries Inc. said Monday that it is considering a major restructuring in an effort to elude a \$1.6 billion takeover bid, including the possible acquisition of one of the bidders.

As the first step, Burlington said it would begin as soon as possible a cash tender offer for up to 8 million shares of its common stock at \$80 a share. It also said it would consider increasing the number of shares to be purchased.

That price is substantially higher than the \$67 a share offered by Dominion Textile Inc. of

Canada and Asher B. Edelman, a New York financier. Burlington's stock price fell 12.5 cents a share Monday on the New York Stock Exchange to close at \$64.25.

The board said it was giving particular consideration to a possible acquisition of Dominion Textile.

It said it had rejected the takeover bid and was recommending that shareholders do the same.

Other steps under consideration, Burlington said, are a merger or other business combination involving the company or one or more of its principal operating groups, or a leveraged

buyout of Burlington or part of the company. It also said it was considering the sale of equity or other securities of Burlington or any of its subsidiaries.

"We see our mission as being agents of constructive change," said Frank Greenberg, the company's chairman and chief executive officer. "We have recently made significant progress toward solving most of our major problems, and have the opportunity to do even better."

Burlington is the biggest U.S. producer of textiles and also manufactures carpets, upholstery and other fiber products.

**De Benedetti, Spanish Bank Consider Investment Firm**

MADRID — Carlo de Benedetti, an Italian financier who is also chairman of Olivetti SpA, is negotiating with a Spanish bank to create a joint investment company to buy stakes in fast-growing Spanish companies, banking sources said Monday.

A spokesman for Banco Zaragozano said talks between its chairman, José Ramon Alvarez Rendueles, a former governor of the Bank of Spain, and Mr. de Benedetti had been going on for more than a month.

"Nothing has been finalized yet and it remains to be seen who ultimately will control the company," the spokesman said. But he said he expected an agreement by June or July at the latest.

Mr. de Benedetti, who is head of his own independent finance group, Cofide, has been a leading player in the revival of Italian private industry.

He has also recently moved aggressively to broaden his interests outside Italy.

Through Cerus, a Paris-based investment offshoot of the de Benedetti group, he has bought significant holdings in French companies, including Valeo, a maker of motor parts, and the fashion house Yves Saint Laurent SA.

Mr. Alvarez Rendueles sits on the board of Hispano Olivetti, the Spanish subsidiary of the Italian office automation company.

The spokesman denied a report in the Spanish daily El Pais that Spain's department store group El Corte Inglés SA was also involved in the negotiations with Mr. de Benedetti.

He said no other interests were involved in the talks.

But he did not rule out that a Spanish construction company, Construcciones y Contratos SA, which has a 30 percent holding in Zaragozano and is the bank's largest single shareholder, might be asked to buy a stake in the planned investment firm.

**Nedbank Says Net Rose 80% in Half**

JOHANNESBURG — Nedbank Group Ltd., the South African banking group, reported Monday that its net profit rose 80 percent for the first half ended March 31, to 58 million rand (\$29.1 million), from 32.2 million a year earlier.

Nedbank said the first-half figure included 43.7 million rand set aside for bad and doubtful debts. Pretax profit was 77.3 million rand, up 71 percent from 45.2 million a year earlier.

The bank's chairman, Owen Horwood, said that earnings rose in all of the group's units. He predicted continued improvement in the second half.

The group's per-share earnings rose to 37.2 cents from 35.7 cents in the year-earlier period.

Nedbank Ltd. contributed 32.4 million rand to net profit, up from 21.8 million in the first half of fiscal 1985-86. UAL Merchant Bank Ltd. provided 11.1 million rand against 5.3 million; Syfrets Trust 6.1 million against 5.9 million; Nefic 3.8 million against 3.7 million, and Finensbank 5 million. Nedfin Bank had a profit of 1 million rand after a loss of 2 million in the earlier period.

**COMPANY NOTES**

Bank of America, a unit of Bank America Corp., has agreed in principle to sell its East Asia bank card operation in Hong Kong to Citibank for around 117 million Hong Kong dollars (about \$15 million).

Chevron Belgium Refining Co. said it has concluded the sale of a refinery, terminal and pipelines to Feluy Tanking SA, of Feluy, Belgium. Terms were not disclosed.

Cominco Ltd. has declared force majeure on outstanding contracts after shutting its Trail, British Columbia lead and zinc smelter and its Kimberley mine after workers struck over wages.

Henry Hay Melatosch, an Auckland, New Zealand, broker, is bidding for 10 million shares, or 10 percent, of media group Wilson & Horton Ltd. at 10.50 New Zealand dollars (about \$6) a share for an unnamed client. Wilson & Horton said it may refuse to register transfers until it can determine who is behind recent buying of its shares.

IEP Securities Ltd., a subsidiary of Brierley Investments Ltd. of Britain, said it holds 6.75 million ordinary shares in Horizon Travel PLC, or around 13.5 percent of the issued share capital.

Inland Steel Industries of Chicago registered a proposed public offering of 3 million shares of common stock. Proceeds will be used to redeem a major portion of its \$150 million principal amount on outstanding bonds.

Kolossal Denahin Dewra Co. said it has discussed with AT&T, Overseas Telecommunications Commission of Australia and the New Zealand Post Office the possibility of a fiber-optic cable linking Japan with the United States, New Zealand and Australia.

Kanagaki Gumi (Hong Kong) Ltd., a unit of the Japanese construction giant, said it will become the first Japanese company to be listed on the Hong Kong Stock Exchange. It announced a public issue of 67 million new shares of one Hong Kong dollar each at a subscription price of 2.50 dollars.

Lomas & Nettleton Financial Corp. has signed a definitive agreement to acquire Equitable Life Leasing Corp. from Equitable Life Assurance Society of the United States for \$1 million in cash, and common and participating preferred stock currently valued at \$288.1 million.

M/A-Com Inc. said it had agreed in principle to sell its M/A-Com telecommunications division to General Motors Corp.'s subsidiary Hughes Aircraft Co. for an undisclosed sum.

Scott Paper Co. of the United States is considering a "large investment" in a tropical eucalyptus plantation in Indonesia, Indonesia's Investment Coordinating Board said. It did not elaborate.



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**Monday's MEX Closing**

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

*The Associated Press*

12 Month High	Low	Stock	Div.	Yield	PE	52 Week High	Low	Close	Change
147 1/2	147 1/2	3M						147 1/2	
147 1/2	147 1/2	6M						147 1/2	
147 1/2	147 1/2	9M						147 1/2	
147 1/2	147 1/2	12M						147 1/2	
147 1/2	147 1/2	15M						147 1/2	
147 1/2	147 1/2	18M						147 1/2	
147 1/2	147 1/2	21M						147 1/2	
147 1/2	147 1/2	24M						147 1/2	
147 1/2	147 1/2	27M						147 1/2	
147 1/2	147 1/2	30M						147 1/2	
147 1/2	147 1/2	33M						147 1/2	
147 1/2	147 1/2	36M						147 1/2	
147 1/2	147 1/2	39M						147 1/2	
147 1/2	147 1/2	42M						147 1/2	
147 1/2	147 1/2	45M						147 1/2	
147 1/2	147 1/2	48M						147 1/2	
147 1/2	147 1/2	51M						147 1/2	
147 1/2	147 1/2	54M						147 1/2	
147 1/2	147 1/2	57M						147 1/2	
147 1/2	147 1/2	60M						147 1/2	
147 1/2	147 1/2	63M						147 1/2	
147 1/2	147 1/2	66M						147 1/2	
147 1/2	147 1/2	69M						147 1/2	
147 1/2	147 1/2	72M						147 1/2	
147 1/2	147 1/2	75M						147 1/2	
147 1/2	147 1/2	78M						147 1/2	
147 1/2	147 1/2	81M						147 1/2	
147 1/2	147 1/2	84M						147 1/2	
147 1/2	147 1/2	87M						147 1/2	
147 1/2	147 1/2	90M						147 1/2	
147 1/2	147 1/2	93M						147 1/2	
147 1/2	147 1/2	96M						147 1/2	
147 1/2	147 1/2	99M						147 1/2	
147 1/2	147 1/2	102M						147 1/2	
147 1/2	147 1/2	105M						147 1/2	
147 1/2	147 1/2	108M						147 1/2	
147 1/2	147 1/2	111M						147 1/2	
147 1/2	147 1/2	114M						147 1/2	
147 1/2	147 1/2	117M						147 1/2	
147 1/2	147 1/2	120M						147 1/2	
147 1/2	147 1/2	123M						147 1/2	
147 1/2	147 1/2	126M						147 1/2	
147 1/2	147 1/2	129M						147 1/2	
147 1/2	147 1/2	132M						147 1/2	
147 1/2	147 1/2	135M						147 1/2	
147 1/2	147 1/2	138M						147 1/2	
147 1/2	147 1/2	141M						147 1/2	
147 1/2	147 1/2	144M						147 1/2	
147 1/2	147 1/2	147M						147 1/2	
147 1/2	147 1/2	150M						147 1/2	
147 1/2	147 1/2	153M						147 1/2	
147 1/2	147 1/2	156M						147 1/2	
147 1/2	147 1/2	159M						147 1/2	
147 1/2	147 1/2	162M						147 1/2	
147 1/2	147 1/2	165M						147 1/2	
147 1/2	147 1/2	168M						147 1/2	
147 1/2	147 1/2	171M						147 1/2	
147 1/2	147 1/2	174M						147 1/2	
147 1/2	147 1/2	177M						147 1/2	
147 1/2	147 1/2	180M						147 1/2	
147 1/2	147 1/2	183M						147 1/2	
147 1/2	147 1/2	186M						147 1/2	
147 1/2	147 1/2	189M						147 1/2	
147 1/2	147 1/2	192M						147 1/2	
147 1/2	147 1/2	195M						147 1/2	
147 1/2	147 1/2	198M						147 1/2	
147 1/2	147 1/2	201M						147 1/2	
147 1/2	147 1/2	204M						147 1/2	
147 1/2	147 1/2	207M						147 1/2	
147 1/2	147 1/2	210M						147 1/2	
147 1/2	147 1/2	213M						147 1/2	
147 1/2	147 1/2	216M						147 1/2	
147 1/2	147 1/2	219M						147 1/2	
147 1/2	147 1/2	222M						147 1/2	
147 1/2	147 1/2	225M						147 1/2	
147 1/2	147 1/2	228M						147 1/2	
147 1/2	147 1/2	231M						147 1/2	
147 1/2	147 1/2	234M						147 1/2	
147 1/2	147 1/2	237M						147 1/2	
147 1/2	147 1/2	240M						147 1/2	
147 1/2	147 1/2	243M						147 1/2	
147 1/2	147 1/2	246M						147 1/2	
147 1/2	147 1/2	249M						147 1/2	
147 1/2	147 1/2	252M						147 1/2	
147 1/2	147 1/2	255M						147 1/2	
147 1/2	147 1/2	258M						147 1/2	
147 1/2	147 1/2	261M						147 1/2	
147 1/2	147 1/2	264M						147 1/2	
147 1/2	147 1/2	267M						147 1/2	
147 1/2	147 1/2	270M						147 1/2	
147 1/2	147 1/2	273M						147 1/2	
147 1/2	147 1/2	276M						147 1/2	
147 1/2	147 1/2	279M						147 1/2	
147 1/2	147 1/2	282M						147 1/2	
147 1/2	147 1/2	285M						147 1/2	
147 1/2	147 1/2	288M						147 1/2	
147 1/2	147 1/2	291M						147 1/2	
147 1/2	147 1/2	294M						147 1/2	
147 1/2	147 1/2	297M						147 1/2	
147 1/2	147 1/2	300M						147 1/2	
147 1/2	147 1/2	303M						147 1/2	
147 1/2	147 1/2	306M						147 1/2	
147 1/2	147 1/2	309M						147 1/2	
147 1/2	147 1/2	312M						147 1/2	
147 1/2	147 1/2	315M						147 1/2	
147 1/2	147 1/2	318M						147 1/2	
147 1/2	147 1/2	321M						147 1/2	
147 1/2	147 1/2	324M						147 1/2	
147 1/2	147 1/2	327M						147 1/2	
147 1/2	147 1/2	330M						147 1/2	
147 1/2	147 1/2	333M						147 1/2	
147 1/2	147 1/2	336M						147 1/2	
147 1/2	147 1/2	339M						147 1/2	
147 1/2	147 1/2	342M						147 1/2	
147 1/2	147 1/2	345M						147 1/2	
147 1/2	147 1/2	348M						147 1/2	
147 1/2	147 1/2	351M						147 1/2	
147 1/2	147 1/2	354M						147 1/2	
147 1/2	147 1/2	357M						147 1/2	
147 1/2	147 1/2	360M						147 1/2	
147 1/2	147 1/2	363M						147 1/2	
147 1/2	147 1/2	366M						147 1/2	
147 1/2	147 1/2	369M						147 1/2	
147 1/2	147 1/2	372M						147 1/2	
147 1/2	147 1/2	375M						147 1/2	
147 1/2	147 1/2	378M						147 1/2	
147 1/2	147 1/2	381M						147 1/2	
147 1/2	147 1/2	384M						147 1/2	
147 1/2	147 1/2	387M						147 1/2	
147 1/2	147 1/2	390M						147 1/2	
147 1/2	147 1/2	393M						147 1/2	
147 1/2	147 1/2	396M						147 1/2	
147 1/2	147 1/2	399M						147 1/2	
147 1/2	147 1/2	402M						147 1/2	
147 1/2	147 1/2	405M						147 1/2	
147 1/2	147 1/2	408M						147 1/2	
147 1/2	147 1/2	411M						147 1/2	
147 1/2	147 1/2	414M						147 1/2	
147 1/2	147 1/2	417M						147 1/2	
147 1/2	147 1/2	420M						147 1/2	
147 1/2	147 1/2	423M						147 1	



Dollar Mostly Lower in New York

NEW YORK — The dollar closed mostly lower in New York on Monday after earlier gains were trimmed when some commodities futures prices jumped sharply.

London Dollar Rates table with columns for currency, bid, and ask prices.

The dollar hovered at 140 yen all day and was just below 1.80 marks, a New York dealer said.

It was boosted by market expectations that Britain and possibly West Germany will reduce their interest rates in the near future.

U.K. Tories Say Time Not Right To Join EMS

LONDON — Britain's ruling Conservative Party said Monday that the time was not yet right for the pound to become a full member of the European Monetary System.

AUCTION: Sale Bolsters Japanese Belief That Reagan Bonds Are Needed

(Continued from first finance page) For almost half of the Treasury's long-bond sales, according to most market estimates, compared with purchases of 30 to 35 percent in the Treasury financing held in February.

But those firms are estimated to have provided half or more of the long-term bonds at auction, finishing with less than 20 percent of the issue.

On a net basis, market sources in Tokyo said, Japan's withdrawal from the U.S. debt market, increasingly feared since the last auction, is already apparent.

Although the Carter bonds helped stabilize the dollar, their identification with President Jimmy Carter is the chief reason that the Reagan administration refuses to consider something similar.

Egypt Launches Limited Free Market for Foreign Exchange

CAIRO — Egypt launched a limited free market for foreign exchange on Monday, letting banks fix market rates for hard currencies.

The government especially wants to encourage Egyptians working abroad to repatriate their money through official channels.

He said the measures were a start toward a unified single rate "over maybe a year, maybe more."

The IMF economic reform package is expected to secure Egypt \$300 million in IMF credits.

speculation, would determine daily rates, he said. He said the measures were a start toward a unified single rate "over maybe a year, maybe more."

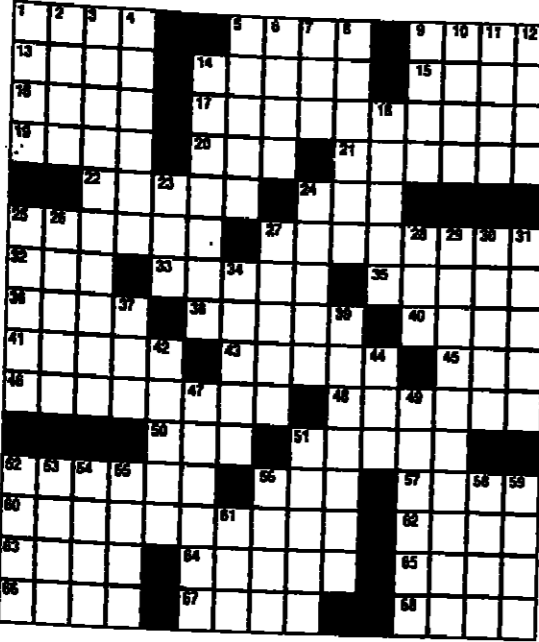
Monday's OTC Prices

Large table of OTC prices with columns for stock symbols, prices, and changes. Includes sub-sections A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

Monday's AMEX Closing. Tables include the closing prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Handwritten signature or scribble at the bottom of the page.





**ACROSS**

1 Cut, in  
Cheshire  
5 One of the rails  
9 Water diverter  
13 "The... Love  
... "Kahn  
14 Singing group  
15 Patron saint of  
sailors  
16 Record  
17 Pa. borough  
19 Der —  
(Adenauer)  
20 Ike's  
command  
21 Newspaper  
goofs  
22 Map feature  
24 L-P connection  
25 With logic  
27 Trouble  
32 Kind of ball or  
fellow  
33 "... of  
Galilee..."  
Acts 1:1  
35 Erica  
36 Weather word  
38 Evil spirit  
40 One of the  
Minors  
41 Dills of the  
Bible  
43 Topic in a  
dorm  
45 Far: Comb.  
form  
46 Sculptured  
ornaments  
48 Least narrow  
50 Loser to H.C.H.

**DOWN**

1 Kind of jerk  
2 Indigo  
3 Locale of the  
Antilles  
4 Christian  
creed  
5 Key's middle  
name  
6 Other: Sp.  
7 Where St. Paul  
preached  
8 Tear's partner  
9 Cinders or  
Fitzgerald  
10 "— a man  
with..."  
12 Sub —  
(secretly)  
14 Like —  
Cyclops  
18 Increased  
23 Sneaky  
24 City on the  
Souris, in N.D.  
25 Up to now  
26 Bell town  
27 Colleague who  
forsook Paul  
28 Farm  
improvement  
org. of the 30's  
29 Spring time  
30 Piggeries  
31 Command-  
ment verb  
34 King  
Cyraxares'  
subjects  
37 Way to go:  
Abbr.  
39 Brokaw and  
Reasoner  
42 Hide away  
44 Pose  
47 Annoys  
49 Slays  
51 Made public  
name  
today  
53 Mable  
Eisenhower's  
maiden name  
54 Large  
kangaroo  
55 Watch part  
56 Memorization  
method  
58 Yemeni  
seaport  
59 — majesté  
61 Occur by  
chance

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PEANUTS



BLONDE



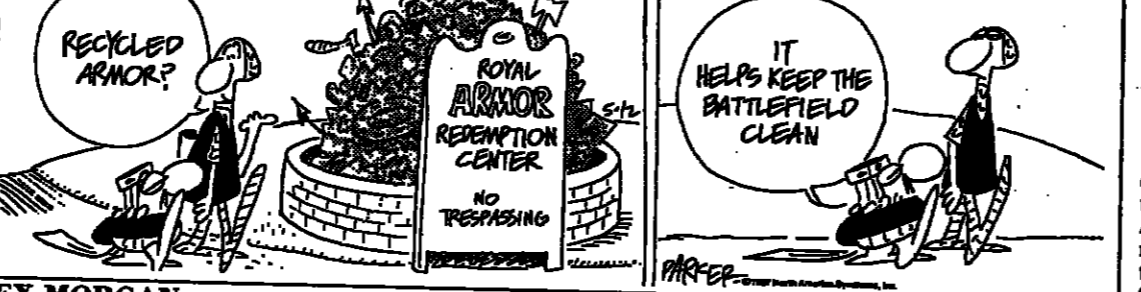
BEETLE BAILEY



ANDY CAPP



WIZARD of ID



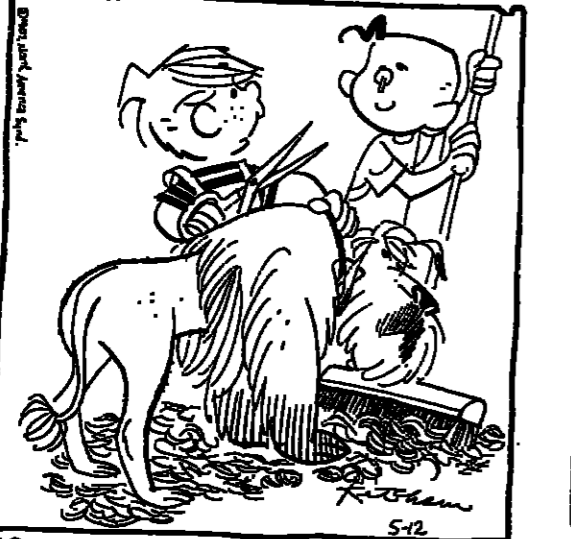
REX MORGAN



GARFIELD



DENNIS THE MENACE



"GOD ALWAYS KNOWS WHAT WE'RE DOING. LUCKY FOR US HE CAN KEEP A SECRET."

JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

**ZOONE**

**DOIT**

**PIDUST**

**NAPOWE**

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer: A

Friday's Jumble: LLAMA PURGE (MONO FEMALE)

Answer: What the baseball that hit the dentist's office was called: THE "TANE" KILLER

WEATHER

EUROPE	HIGH	LOW	ASIA	HIGH	LOW
Algeria	12	7	Beijing	18	13
Amsterdam	12	7	Bombay	26	21
Antwerp	12	7	Calcutta	28	23
Berlin	12	7	Hankow	24	19
Birmingham	12	7	Harbin	12	7
Boston	12	7	Manila	26	21
Buenos Aires	12	7	Medan	28	23
Cardiff	12	7	Osaka	24	19
Chicago	12	7	Seoul	26	21
Copenhagen	12	7	Singapore	28	23
Dallas	12	7	Taipei	24	19
Dublin	12	7	Tokyo	26	21
Edinburgh	12	7			
Geneva	12	7			
Helsinki	12	7			
London	12	7			
Los Angeles	12	7			
Madrid	12	7			
Moscow	12	7			
New York	12	7			
Paris	12	7			
Rome	12	7			
Sao Paulo	12	7			
Stockholm	12	7			
Sydney	12	7			
Taipei	12	7			
Tel Aviv	12	7			
Yokohama	12	7			

World Stock Markets

Via Agence France Press. Closing prices in local currencies, May 11.

Amsterdam	London	Frankfurt	Geneva
ABN 100 100	AA Corp 100 100	AGF 100 100	AGF 100 100
ACF 100 100	Adair 100 100	Alpine 100 100	Alpine 100 100
Alcan 100 100	Adair 100 100	Alpine 100 100	Alpine 100 100
Alcoa 100 100	Adair 100 100	Alpine 100 100	Alpine 100 100
Alm 100 100	Adair 100 100	Alpine 100 100	Alpine 100 100
Alstom 100 100	Adair 100 100	Alpine 100 100	Alpine 100 100
Alu 100 100	Adair 100 100	Alpine 100 100	Alpine 100 100
Alu 100 100	Adair 100 100	Alpine 100 100	Alpine 100 100
Alu 100 100	Adair 100 100	Alpine 100 100	Alpine 100 100

Stocks	Prices	Stocks	Prices
AA Corp	100 100	AA Corp	100 100
Adair	100 100	Adair	100 100
Alpine	100 100	Alpine	100 100
Alu	100 100	Alu	100 100
Alu	100 100	Alu	100 100
Alu	100 100	Alu	100 100
Alu	100 100	Alu	100 100
Alu	100 100	Alu	100 100
Alu	100 100	Alu	100 100
Alu	100 100	Alu	100 100

BOOKS

MODERN DICTATORS: Third World Coup Makers, Strongmen, and Populist Tyrants.

By Barry Rubin. 385 pages. \$17.95. McGraw-Hill Book Co., 1221 Avenue of the Americas, New York, N.Y. 10020.

Reviewed by William Drozdzick

IN the past decade, a procession of coups and revolutions has dramatized how swiftly critical alliances and strategic stakes can change in the modern age. The toppling of the Pahlavi and Somoza dynasties yielded revolutionary regimes in Iran and Nicaragua that remain extremely hostile to American interests. The replacement of military juntas in Brazil and Argentina by democratic governments; as well as the ouster last year of the Duvalier regime in Haiti, were welcomed in contrast as progressive steps toward more stable and humane rule in our hemisphere.

But with the notable exception of the Philippines, where Washington helped persuade Marcos to flee into exile and make way for Corason Aquino, the United States all too often ends up on the losing side in the turbulence of Third World politics. Leftist rebels who take power escape responsibility for their problems by blaming the United States as the imperialist enemy whose plundering or bullying causes the social and economic ills of their country. Rightist rulers may deplore the ambiguity of American support, even while popular

resentment festers because the United States is not seen to be doing more to encourage progress toward democracy and respect for human rights.

A critical and troubling problem facing American foreign policy, argues Barry Rubin, a fellow at the Foreign Policy Institute of Johns Hopkins University School of Advanced International Studies, is learning how to deal effectively with foreign dictatorships. "Americans are more inclined than other nations to want to convert foreign dictatorships into democracies but are less equipped to understand how such systems work and why they survive or fail," he writes.

The book is most successful in explaining the historical legacies that enabled juntas to exercise control over nearly all of Latin America. Rubin also describes the shrewd exploitation of tribal rivalries and the army — very often Africa's only functioning political institution — that consolidated power for such tyrants as Uganda's Idi Amin and Zaire's Mobutu Sese Seko. Rubin also uses well his background as an author of earlier books on the Arab-Israeli conflict and the Iranian revolution by comparing the vision of Ayatollah Khomeini and Moammar Gadhafi, whose "revolution flourished from the very failure and degeneration of their traditions."

Gadhafi, Rubin says, resurrected the notion of Arab nationalism despite widespread cynicism and disillusionment caused by Nasser's failures in economic development and wars with Israel. Khomeini's fundamentalist revolt succeeded primarily as a reaction against the Shah's modernization drive that had submerged Islam, yet also inadvertently promoted its rise to the vanguard of political opposition because Islam was seen as the last bastion of purity in an otherwise corrupt society.

Ultimately, "Modern Dictators" falters in not delivering the kind of "fresh thinking and innovative insights" — as advertised in a blurb from Gary Hart — concerning American policy options in coping with the baffling array of often hostile Third World dictatorships. In discussing what to do about the Sandinist regime in Nicaragua, Rubin contents himself with a hindsight critique of Reagan administration failures.

As Rubin finally admits, "in dealing with modern dictatorships there are no total solutions."

William Drozdzick is on the staff of The Washington Post.

Solution to Previous Puzzle

AHAB	SHOW	ABCS
DELI	TAMER	TITLT
ORAL	ADALE	ALITA
BILLIARDS	MLVT	
LABORS	STRONG	
AGILE	BEATS	OAT
WELD	FOILS	BARE
BEL	CLONE	LITER
ASSURE	WILSON	
CANTAR	PILL	
OLDE	BILLETING	
RACE	EVIAN	OOLA
AMOR	DANCE	NEED
LOOS	NEER	SLED

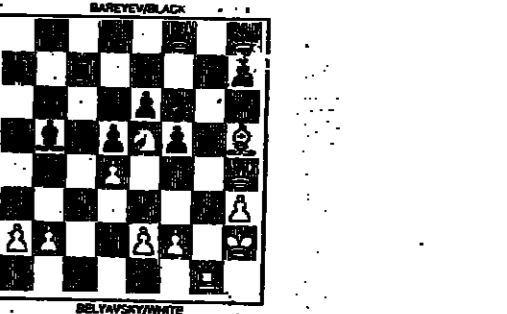
CHESS

By Robert Byrne

IN a tournament almost totally dominated by the generation of players in their twenties and thirties, grandmasters Aleksandr Belyavsky and Valery Salov did not for first place in the 54th ranking of the Soviet Championship, in Minsk.

Belyavsky, 33-year old, and Salov, who will be 23 in another month scored 11-6. They are contesting a playoff match in Vilnius, in the Soviet Lithuanian Republic.

Belyavsky started on the queenside but shifted to the other wing to defeat a Dutch Defense offered by the international master Evgany Barev. Since the stonewall variation that Barev set up after 5... P-B3 leaves Black weak on the dark squares, it was useful to remove their chief protector by 7-B4, O-O; 8-B4, Qx2, as Belyavsky did.



Position after 29... N-N3.

because of 30-B71, RxB3. ... N-N3; 31 Q-B6ch forces mate; 31 QxN1, QxQ; 32 N-R2mate.

Moreover, 29... Q-R3 allows 30 N-B7ch1, R-N3, 31 BxR, QxQ; 32 R-N mate, while 29... B-K1; 30 BxR, Qx3; 31 N-N6ch, K-N2; 32 N-K7ch is annihilating.

Barev's 29... N-B3 was destroyed by Belyavsky's 30-B7! There was no parity to the devastating threats of 31 QxNch and 31 N-N6ch, so Barev gave up.

White: Belyavsky, Black: Barev

White	Black	White	Black
1. P4	1. P4	1. P4	1. P4
2. P4	2. P4	2. P4	2. P4
3. P4	3. P4	3. P4	3. P4
4. P4	4. P4	4. P4	4. P4
5. P4	5. P4	5. P4	5. P4
6. P4	6. P4	6. P4	6. P4
7. P4	7. P4	7. P4	7. P4
8. P4	8. P4	8. P4	8. P4
9. P4	9. P4	9. P4	9. P4
10. P4	10. P4	10. P4	10. P4

Stocks	Prices	Stocks	Prices
AA Corp	100 100	AA Corp	100 100
Adair	100 100	Adair	100 100
Alpine	100 100	Alpine	100 100
Alu	100 100	Alu	100 100
Alu	100 100	Alu	100 100
Alu	100 100	Alu	100 100
Alu	100 100	Alu	100 100
Alu	100 100	Alu	100 100
Alu	100 100	Alu	100 100
Alu	100 100	Alu	100 100

APR 12 1987



SPORTS

Warriors Beat Lakers As Floyd Scores 51; Celtics, Pistons Win

OAKLAND, California — The Los Angeles Lakers began celebrating what seemed to be another sweep Sunday before Eric (Sleepy) Floyd reminded them there was still one period left.

NBA PLAYOFFS

Los Angeles, which swept Denver in an opening-round series, now leads Golden State, 3-1, in their Western Conference Semifinal series.

Elsewhere Sunday, Boston and Detroit took 3-1 leads in the Eastern Conference semifinals with one-point victories.

Floyd, a 6-foot-3 (1.90-meter) guard, dazzled the crowd by hitting 12 of 13 shots from the field in the fourth period to bring the Warriors back from a 102-88 deficit.

Taking advantage of lackadaisical defensive play, Floyd began penetrating early in the quarter. "I thought we celebrated a little early. We should know better than that," said Laker guard Earvin Johnson.

"Floyd was doing it on transition and he was doing it on the set offense. Our weak-side help was just awful in the fourth quarter."

Said the Lakers' Michael Cooper, a member of the NBA all-defensive team: "He had every

phase of the game going — three-pointers, drives. He strung our defense out pretty well."

Floyd's 51 points were a career high. He also broke the single-quarter record (25) set Friday by Isiah Thomas of Detroit and his 39 points in the second half eclipsed the previous mark of 33, set by Elgin Baylor of the Lakers in 1962.

"My teammates kept giving me the ball, and said 'Take it, so I took it,'" Floyd said. "I was very conscious of the score, and the crowd got so pumped. I've never been hotter at any level. The basket seemed 10 feet wide."

Celtics 138, Bucks 137: In Milwaukee, Darren Daye scored four points in the second overtime and Larry Bird finished with 42 points to give Boston a commanding lead over the Bucks in their Eastern semifinal.

Daye's two free throws gave the Celtics their 138-137 lead, and the Celtics survived two Milwaukee scoring threats in the final minute.

Ricky Pierce's lay-up with 49 seconds remaining. The Bucks' John Lucas drove the lane, threw a pass that hit Terry Cummings in the shoulder and then missed a short shot as the buzzer sounded.

"They've got to beat us twice now in Boston Garden," said Bird. "To do that, they're going to have to pick their game up a notch."

The Celtics, who can establish an NBA record with 15 straight playoff victories at home if they win on



Eric Floyd, driving past Laker defender Michael Cooper for two of the 29 points he scored during Sunday's fourth period.

Wednesday, have won 33 consecutive games at Boston Garden.

Pistons 89, Hawks 88: In Pontiac, Michigan, Isiah Thomas scooped in a lay-up with one second remaining to give Detroit its 3-1 Eastern Conference semifinal lead.

Trailing by 88-87, the Pistons had the ball and a time-out to talk things over with five seconds left. "I said if I get the ball, I was making the shot," said Thomas, who had a game-high 31 points. "There's no way I'm missing the shot." He took

inbounds pass, drove around the right side of the lane and went up for a finger-roll that fell in.

John Battle, who scored 11 of his 19 points in the fourth quarter, gave the Hawks an 88-85 lead on a lay-up with 1:30 remaining. Two free throws by Adrian Dantley with 1:14 left made it 88-87.

After Thomas's shot and a time-out, Atlanta's Scott Hastings lobbed a pass to Dominique Wilkins, who tipped the basket. (UPI, AP)

Oriole Home Runs Down White Sox Again

Compiled by Our Staff From Dispatches

CHICAGO — The Baltimore Orioles have gained ground on the first-place Milwaukee in the American League East lately, and Manager Cal Ripken Sr. is delighted.

"Anytime you pick up 4½ games in six days, that's excellent," Ripken said after the Orioles used home runs by Terry Kennedy, Jim Dwyer

BASEBALL ROUNDUP

and Fred Lynn to beat the Chicago White Sox, 6-4, here Sunday. Carried by 12 homers, Baltimore swept the three-game series to move to within 6½ games of the Brewers.

"I know our people are capable of hitting homers, but you don't look for 12 in one series," said Ripken. The Orioles had six in Saturday night's 15-6 rout and three in Friday night's 7-6 victory. Baltimore has won five of its last six games while on the road. Chicago has lost four in a row.

"We're starting to spread it out," said Lynn, who hit a three-run homer Sunday. "The guys who are supposed to hit are getting hits." Suffering from a hitting slump and a shoulder injury, Lynn didn't start four straight games and missed two last week, but returned to top form in 11 against the White Sox. "A few days off — it's the best way to stop a slump," he said.

Dwyer tied the score, 3-2, with a fifth-inning home run after Larry Sheets singled. Kennedy homered in the seventh; an inning later, Lee Lacy doubled and Cal Ripken Jr. walked before Lynn drove a pitch into the upper right-field stands.

Rangers 9, Blue Jays 8: In Arlington, Texas, Rubeen Sierra drove in three runs and Scott Fletcher and Geno Petralli two apiece to rally

Texas. Bobby Witt survived a shaky start for his first victory of the season. Witt (1-1) gave up four runs in the first two innings, but allowed just one over the next five before giving way to Mitch Williams at the start of the eighth.

Pirates 4, Giants 1: In the National League, in San Francisco, Johnny Ray's single broke a 1-1 tie in the 11th, and Jim Morrison followed with a two-run homer as Pittsburgh snapped a four-game losing streak. Barry Bonds opened

the inning with a triple off Scott Garretts. After Andy Van Slyke struck out, Ray blooped a single to center. One out later Morrison, who also had an RBI double, hit his fifth home run of the season.

Dodgers 7, Cardinals 6: In Los Angeles, Ken Landreaux's one-out double scored Mike Ramsey from first base in the eighth, lifting the Dodgers over St. Louis. On the previous pitch, Landreaux hit a grounder down the first-base line that Jack Clark fielded for an ap-

parent out, but umpire Frank J. ... ruled that the ball had been gloved in foul territory. Landreaux lined Pat Perry's next offering into the right-field corner. Reliever Matt Young, obtained in trade from Seattle, earned his first National League victory.

Padres 14, Cubs 2: In San Diego, Jay Baller committed non-scoring balks on successive pitches in a five-run fifth that enabled the Padres to end a five-game losing streak. (AP, UPI)



Pitchers Shane Rawley of the Phillies and Ted Power of the Reds were distracted by a swarm of bees during Sunday's first inning in Cincinnati. The game was interrupted for 17 minutes while bee handlers — on call since earlier invasions at Riverfront Stadium (April 17, 1976 and May 26, 1980) — used nets to collect some of the insects and dispersed the rest.



A close-up of a player in a white uniform, likely a pitcher, looking down during the game.

IOC Approves Tennis Pros for '88 Games

The Associated Press

ISTANBUL — The International Olympic Committee on Monday gave final approval for professional tennis players to compete for medals in next summer's Games.

Adopted by acclamation at the IOC's 92nd session, the ruling is the final eligibility guideline to be put in place for the 1988 Winter and Summer Games. To date, it is by far the most radical move away from the traditional Olympic concept of all-amateur Games.

Sixty-four men and 32 women will compete in the Seoul tournament, which will award

medals in men's and women's singles and doubles. Nations with high Davis Cup or Federation Cup rankings will be seeded, the rest of the field will be determined in regional qualifying.

The plan was unanimously approved by the IOC's executive board last winter after Soviet sports officials finally gave their consent.

Basically, it asks professionals to become amateurs for a month. They may accept no payments for playing in the Games or for the results of their competition. For the two weeks of the Games, and up to two weeks beforehand, they also must suspend endorsement contracts, which

for some net as much or more as tournament winnings. They must also make themselves available for Davis and Federation Cup matches.

The plan is an experiment only for the Seoul Games, after which the IOC will decide whether or how tennis is to continue as an Olympic sport.

Tennis has not been a medal sport in the Games since 1924. In 1984 at Los Angeles, it was an exhibition sport with professionals under 21 allowed to compete. Stefan Edberg of Sweden won the men's singles and Steffi Graf of West Germany the women's.

SCOREBOARD

Baseball

Sunday's Major League Line Scores

Table with columns for American League and National League games, listing teams, scores, and key players.

Baseball

National Basketball Association Playoffs

SUNDAY'S RESULTS

Table showing NBA playoff results for Eastern and Western conferences, including team names and scores.

Basketball

NHL Playoff Semifinals

SUNDAY'S RESULT

Table showing NHL playoff semifinals results for Philadelphia and Montreal series.

Flyers Defeat Canadiens, 3-1

Compiled by Our Staff From Dispatches

MONTREAL — For the second consecutive playoff series, the defending National Hockey League champions have lost two games at the Forum.

Philadelphia downed the Canadiens, 5-3, Sunday night to take a 3-1 lead in their in the Wales Conference final series; the Flyers also



WOOPEE — Fred Couples, who had not won a PGA tournament in three years, got all-star congratulations from wife Deborah after winning a sudden-death playoff in the Byron Nelson Classic Sunday in Irving, Texas. On the third extra hole, the 41-year-old, par-4 18th, Couples sank a 5-foot putt; Mark Calcavecchia, who fired a 64 to tie Couples at 266 through regulation play, took a bogey by bunkering his second shot and leaving a 20-foot par putt inches short.

5 Soccer Thugs Jailed in U.K.

The Associated Press

LONDON — A three-month police investigation led Monday to jail sentences for five soccer hooligans.

Terence Last, a legal clerk, and Stephen Hickmott, a businessman, were given 10-year sentences for organizing a six-year campaign of violence at matches. Following an 18-week trial, three other men were imprisoned for seven, six and five years, respectively, for their parts in the campaign.

The Inner London Crown Court was told how undercover police infiltrated a gang of thugs whom they suspected of being behind large-scale violence at matches. Judge George Schindler said the five jailed were "some of the nastiest, most ruthless and most vicious men for whom violence appeared to be a way of life."

Police said that "Operation Own Goal" focused on a group of notoriously hostile Chelsea fans, whom young policemen in plain clothes got to know in bars and traveled with to games.

Schindler said that the Last-Hickmott group had organized violence before, during and after Chelsea matches, home and away, and used soccer as an excuse to indulge in violence. He said it was because of men like the five convicted "that the reputation of football fans in this country is so shameful, disgraceful and frightening that very many decent people stay away altogether. The stench from the hideous viciousness which sometimes accompanies the game in this country is known and feared worldwide."

Major League Leaders

Table showing batting and pitching leaders in the American League and National League.

Major League Standings

Table showing the current standings for all 16 Major League teams.

Hockey

NHL Playoff Semifinals

SUNDAY'S RESULT

Table showing NHL playoff semifinals results for Philadelphia and Montreal series.

NHL Playoff Schedule

Table showing the schedule for NHL playoff semifinals.

Golf

Top finishers and earnings in the Byron Nelson Classic which ended Sunday on the 4,707-yard, par-70 Las Colinas course in Irving, Texas. (19 was on third hole of sudden-death playoff.)

Table listing top finishers in the Byron Nelson Classic and their earnings.

Transition

BASEBALL: National League MONTREAL: Montreal Herald, pitcher, from Indianapolis of the American Association.

FOOTBALL: National Football League NEW ENGLAND PATRIOTS: Signed Al Watters, linebacker; Jim Gettys, placekicker; and Jeffrey Gray, punter.

WASHINGTON: Signed Ted Karpas, John Guzik, Steve Martin, Steve Thompson and Tommy Parker, defensive linemen; John Macken and Tony Settles, linebackers; and Danny Bornheimer, safety.

NATIONAL HOCKEY LEAGUE BOSTON: Signed a five-year agreement with the American Hockey League for an affiliated franchise in Portland, Maine. HARTFORD: Signed Ernie Francis, president and general manager, to a five-year contract.

COLLEGE CLARION: Named Robert Carlson assistant athletic director. KANSAS: Signed Larry Brown, basketball coach, to a four-year contract. UTAH: Named Dick Johnson basketball coach.

INTERNATIONAL OLYMPIC COMMITTEE: Named Dick Pound vice president.

EUROPEAN SOCCER SPANISH FIRST DIVISION Real Madrid 2, Zaragoza 1 Barcelona 2, Girona 0 Mallorca 1, Espanol 0 Real Sociedad 2, Athletic de Madrid 1 Betis 3, Villarreal 2

ITALY: Fiorentina 2, Lazio 0, Roma 0, Juventus 0, Inter Milan 0, AC Milan 0, Napoli 0, Fiorentina 2, Lazio 0, Roma 0, Juventus 0, Inter Milan 0, AC Milan 0, Napoli 0

FRANCE: PSG 1, Monaco 1, Marseille 1, Bordeaux 1, Nantes 1, Lille 1, Auxerre 1, Sochaux 1, Valenciennes 1, Troyes 1, Amiens 1, Metz 1, Strasbourg 1, Reims 1, Clermont 1, Nancy 1, Lens 1, Angers 1, Caen 1, Evry 1, Sedan 1, Bourges 1, Chateauroux 1, Auxerre 1, Sochaux 1, Valenciennes 1, Troyes 1, Amiens 1, Metz 1, Strasbourg 1, Reims 1, Clermont 1, Nancy 1, Lens 1, Angers 1, Caen 1, Evry 1, Sedan 1, Bourges 1, Chateauroux 1

GERMANY: Bayern 1, Borussia Dortmund 1, Schalke 1, Werder Bremen 1, VfL Wolfsburg 1, Borussia Mönchengladbach 1, FC Köln 1, Bayer Leverkusen 1, VfB Stuttgart 1, Hertha BSC 1, Hamburger SV 1, FC Schalke 1, Werder Bremen 1, VfL Wolfsburg 1, Borussia Mönchengladbach 1, FC Köln 1, Bayer Leverkusen 1, VfB Stuttgart 1, Hertha BSC 1, Hamburger SV 1

NETHERLANDS: PSV 1, Feyenoord 1, Ajax 1, Twente 1, FC Utrecht 1, FC Groningen 1, FC Eindhoven 1, FC Kerkrade 1, FC Oss 1, FC Den Bosch 1, FC Kerkrade 1, FC Oss 1, FC Den Bosch 1

SCOTLAND: Rangers 1, Celtic 1, Aberdeen 1, Dundee United 1, Dundee 1, Hearts 1, Motherwell 1, Falkirk 1, St. Johnstone 1, Inverness 1, Aberdeen 1, Dundee United 1, Dundee 1, Hearts 1, Motherwell 1, Falkirk 1, St. Johnstone 1, Inverness 1

IRELAND: Shamrock Rovers 1, Drogheda United 1, Shelbourne 1, Derry City 1, Sligo Rovers 1, Bohemians 1, Shamrock Rovers 1, Drogheda United 1, Shelbourne 1, Derry City 1, Sligo Rovers 1, Bohemians 1

NETHERLANDS: PSV 1, Feyenoord 1, Ajax 1, Twente 1, FC Utrecht 1, FC Groningen 1, FC Eindhoven 1, FC Kerkrade 1, FC Oss 1, FC Den Bosch 1, FC Kerkrade 1, FC Oss 1, FC Den Bosch 1

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